



LOS LUNAS SCHOOLS

SPECIAL AUDIT CONSULTING REPORT

JULY 1, 2023 - MAY 1, 2025

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REPORT OF INDEPENDENT ACCOUNTANT'S SPECIAL AUDIT CONSULTING PROCEDURES

To the Board of Education, Audit Committee, and Superintendent, Los Lunas Schools

Los Lunas, New Mexico and

Honorable Joseph Maestas, PE, CFE, New Mexico State Auditor

Santa Fe, New Mexico

Subject: Los Lunas Schools Special Audit

Dear State Auditor, Members of the Board, and Superintendent:

We appreciate the opportunity to assist the District and the New Mexico Office of the State Auditor (OSA) in completing this special audit engagement for Los Lunas Schools and stakeholders. This report outlines the procedures we performed, along with our findings and recommendations, in response to concerns regarding potential financial and compliance irregularities in the District. Our consulting procedures, conducted in accordance with the scope agreed upon by both the District and the OSA, were designed to evaluate, document, and assess the District's internal controls and compliance practices in specific areas of concern as outlined herein. The period under review was July 1, 2023 through May 31, 2025 (the "Period").

This special audit consulting engagement was conducted in accordance with the Audit Act Sections 12-6-1 through 12-6-14 NMSA 1978, the Audit Rule 2.2.2 NMAC Requirements for Contracting and Conducting Audits of Agencies, specifically Section 2.2.2.15 NMAC and the Standards for Consulting Services established by the American Institute of Certified Public Accountants (AICPA). The scope of this engagement is outlined in the body of our report. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the consulting procedures described below either for the purpose for which this report has been requested or for any other purpose. The District remains responsible for their accounting records, operations, funds, fraud prevention and detection, and for maintaining effective internal controls over the financial statements and compliance.

EXECUTIVE SUMMARY

This special audit engagement originally precipitated with a letter of concern from the New Mexico Public Education Department (PED). Concerns appeared to be with procurement and with Board members overstepping their role. One focal point surrounded a single invoice for legal services which was considered to have been expended without a valid purchase order in place, as the associated purchase order had been closed. This had been reported as a finding in the fiscal year 2024 audit. The incident led to reports of concern that the purchase order had been intentionally closed in opposition to certain board members. In the reports made to the New Mexico State Auditor and to us during our interviews, this minor event was connected to historical and larger concerns about the role of the Board of Education, and its relationship to management and vice versa.

The scope of this special audit covers the period July 1, 2023 through May 1, 2025. As a result of the above concerns, our scope of work includes testing of all procurement directed by the board during the Period, which was exclusively found to be for legal services, and related financial activity. The scope of work also includes a sample of 25% of all other procurement and financial activity during the Period. We were also directed to conduct certain testing regarding the Board's relationship with management, and how it may or may not be involved in the day-to-day operations of the District. This testing involved looking into various specific allegations that were made during the course of our interviews with District personnel and Board members. Finally, during the course of the audit, the scope was expanded by a contract amendment to test fraud risk as it relates to time and leave for three individuals during the Period, for whom there were communicated concerns.

The results of our procedures identified the following:

- The Board, Temporary Superintendent, Procurement, and Finance did not intentionally overstep their roles. Overstepping roles by board members and superintendents was limited to a few instances which related to incomplete or inaccurate advice the individuals had received.
- The roles and duties of Board of Education members are significantly misunderstood in the District.
- There were \$64,500 in stipends overpaid to an employee who did not have qualifying licensure.
- Time and leave exceptions were identified in three of four employees tested; \$17,220 was identified for two employees, while possible exceptions for one employee could not be quantified.

- Certain procurement policies, procedures, and a highly relevant New Mexico Ethics Commission advisory opinion were not properly understood, communicated, and implemented in conjunction with each other. This relates to the one procurement for legal services; there were no other purchases on behalf of the Board of Education identified in our testing.
- We identified numerous policy recommendations for the Audit Committee, Board of Education, and Superintendent to consider.
- The District generally has very strong and effective internal controls over compliance and financial matters, including but not limited to purchasing, disbursements, and record keeping.
- We performed statistical sampling of 25% of the District's procurements and contracts and found only 7 minor exceptions from approximately 2,700 items (0.26%). Finance Department employees perform their work conscientiously.
- There were also 25 procurements not approved by the Board of Education as internal procedure required.
- No inappropriate vendor relationships, either official or unofficial, with the Board of Education or its Members were identified. We did identify that one Investigator for the District was a former Superintendent who left the District approximately four years prior to the work.
- There are reports and investigations of wrongdoing by previous board members that are still not resolved through due process and these need to be followed through on with continued oversight in order for the District to move forward with truth and healing.
- Our anonymous employee survey indicated minimal concerns regarding what they had heard about procurement and board members over stepping or under stepping, but concerns of a little more extent with Administrators over stepping or under stepping their roles. Larger anonymous feedback topics related to lack of accountability, time and leave, special education and inclusion, nepotism or special treatment for friends, and communication issues.

This report presents observations and findings organized by scope area and is intended to assist stakeholders in reviewing internal controls, compliance with applicable policies and laws, and the appropriate use of public resources.

SPECIAL AUDIT PROCEDURES

We conducted consulting procedures to evaluate risks related to the District's leadership, governance, and procurement and time and leave activities during the Period. Our work included an assessment of compliance with applicable laws, regulations, policies, and procedures by the District management and Board of Education. The scope of work includes developing an understanding of the processes and procedures, both formal and informal, that procurement and purchasing, the Board relationship with management, time and leave, and other areas of risk identified by the District during the Period.

SCOPE OF WORK

We conducted the detailed procedures and prepared the associated deliverables on behalf of OSA. The scope of work included the potential fraud, waste and/or abuse including any potential violations of criminal statutes in connection with procurements and time and leave, involving the District leadership or the Board of Education for the Schools during the Period, including an examination and report on the following:

- Establish a comprehensive understanding of, and report on, the processes and procedures (both official and unofficial) utilized by Los Lunas Schools for procurements and contracting during the Period.
- Identify, assess, examine, and report on:
 - All procurements and contracts, directed by, requested by, or obtained for the benefit of, the District's Board of Education, documenting all records required in support of the processes and procedures identified, for compliance with all applicable laws, administrative rules, District policies, and professional ethical standards, during the period.
 - Procurements and contracts obtained by, or entered on behalf of, the District, excluding the Board of Education, during the Period.
 - Perform statistical sampling of no less than twenty-five percent (25%) of procurements and contracts, including supporting documentation, identified in the above, for compliance with all applicable laws, administrative rules, District policies, and professional ethical standards during the period.
 - Assess and report on exceptions or deviations noted.

- Establish a comprehensive understanding of, and report on, the procurement relationship (both official and unofficial) between the Board of Education or any Board member and any vendors and/or contractors awarded procurements and/or contracts to provide goods or services to the District or Board of Education identified in the above during the Period, from inception of the initial relationship, inclusive of all times preceding the period subject to review, including documenting all records supporting the relationship and any changes identified.
- Identify all financial activities between the District and vendors and contractors during the Period, excluding those identified above that were requested by or for the benefit of the Board of Education. Perform statistical sampling of no less than twenty-five percent (25%) of financial activities between the District and vendors and contractors during the Period, and test for compliance with all applicable laws, administrative rules, and District policies. Including but not limited to review, analysis, and report on:
 - Vendor and Contractor Procurement. Consider the District's stated needs for the goods and/or services provided by vendors and contractors. Include and document records within the statistical sample, supporting requests for bids or proposals; contracts; price agreements; sole-source procurement: or other, relied upon by the District.
 - Correlate/schedule out all related purchase orders, authorizations, and receipt verifications with vendor and contractor invoices and procurement and/or contract specifications, from the above.
 - District Purchase Orders. Verify goods and/or services purchased from the vendors and contractors are in accordance with the purchase orders within the statistical sample.
 - Vendor and Contractor Invoicing. Records supporting goods and/or services invoices to the District by the vendor/contractor within the statistical sample. Include scheduling of goods and/or services invoiced by vendors and contractors to the District.
 - Signature Authorizations. Document and report on records within the statistical sample supporting invoice payment authorizations were valid and in accordance with District policies.
 - Vendor and Contractor documented goods or services provided or performed. Review of receipts of goods or services and purchase verifications within the statistical sample, prepared by the District, including analysis of verifications prepared or completed by District

- staff (both authorized and unauthorized) who received the goods purchased or verified the services were provided.
- Vendor/District relationship. Review and analyze relationships between vendor and contractors and the District within the statistical sample. Include relationships between vendor and/or contractor staff and District staff at all levels of interaction, including the Board of Education. Document and report any conflicts of interest, nepotism, or other irregularities identified.
 - Other miscellaneous documentation and other pertinent authorizations. Identify, analyze and review other documentation and/or authorizations within the statistical sample, required to be completed by the District, or any member of the District staff, District management, or Board of Education, either in whole or in part, as part of the procurement of goods and/or services from vendors and contractors.
 - As part of analyzing potential fraud, waste, and/or abuse, identify and analyze potential deficiencies (recordkeeping, safeguarding assets, following laws, regulations, policies, procedures, ethical commitment) under NMAC 1.4.1 State Procurement Code Regulations on the part of the District, as defined above.
 - Establish a comprehensive understanding of, and report on, the processes and procedures (both official and unofficial) utilized by the District for accountability and transparency over the expenditure of public funds and use of public resources, entrusted to, or acquired by, the District, during the Period.
 - Establishing a comprehensive understanding of, and report on, the processes and procedures (both official and unofficial) utilized by Los Lunas Schools Board of Education to interact, direct, or otherwise be involved with day-to-day operations of the District.
 - As part of analyzing potential fraud, waste, and/or abuse, identify and analyze potential deficiencies (recordkeeping, safeguarding funds and/or resources, following laws, regulations, policies, procedures, ethical commitment) in the Board of Education's involvement in day-to-day operations of the District.
 - Review, analyze, and report on documents including but not limited to payroll records, emails, video archives, and absence logs for three employees and any District risks identified during the procedures.

FINDINGS

This report presents the results of our test work conducted to achieve the objectives of the special audit. Specific recommendations have been provided to the District to enhance internal controls over procurement and time and leave, strengthen compliance with applicable state and federal requirements, and reduce the risk of waste or misuse of public funds. These recommendations are detailed in **Exhibit 1 – Schedule of Findings and Responses**.

District management has expressed a commitment to implementing the recommended safeguards. Findings include the elements as required by 2.2.2.15 B and 2.2.2.10 L (3) NMAC. Management’s responses to the findings were not audited and are presented verbatim.

We emphasize the critical importance of the District conducting regular risk assessments, including political risks, across all relevant financial, leadership, and operational areas. It is essential to consistently monitor the implementation of corrective actions and enforce accountability for non-compliance to ensure timely prevention, detection, and reporting of issues on an ongoing basis. *We highly recommend implementing a strong, politically and operationally independent Internal Audit function reporting directly to the Board of Education through the Audit Committee and administratively to the Superintendent.*

Our examination was limited to the specific areas and time periods outlined in the scope of this engagement and was based solely on the documentation made available and the interviews conducted with employees. Additional matters requiring the attention of the District may have been identified had other time periods, areas, interviews, or records been included in the review.

Jaramillo Accounting Group LLC (JAG) does not conclude on the guilt or innocence of any party. Any potential fraud, waste, abuse, noncompliance, and/or potential violations of civil matters or criminal statutes in connection with financial affairs will require the ongoing investigation by the relevant offices and authorities, then an appropriate adjudicative authority yielding conclusions on these matters. We raise matters from information provided for future consideration and draw no legal conclusions.

DEFINITIONS

Fraud

Fraud means obtaining something of value through willful misrepresentations. This includes, but is not limited to, fraudulent financial reporting, misappropriation of assets, corruption, and use of public funds for activities prohibited by the constitution or laws of the State of New Mexico. Fraudulent financial reporting means intentional misstatements or omissions of amounts or disclosures in the financial statements to deceive financial statement users, which may include intentional alteration of accounting records, misrepresentation of transactions, or intentional misapplication of accounting principles.¹

Misappropriation of Assets

Theft of an agency's or local public body's assets, including theft of property, embezzlement of receipts, or fraudulent payments. Corruption means bribery and other illegal acts.²

Waste

Waste includes, but is not limited to, the act of using or expending resources carelessly, extravagantly, or to no purpose. Importantly, waste can include activities that do not include abuse. Importantly, waste can include activities that do not include abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.³

Abuse

Abuse includes, but is not limited to, behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary operational business practice given the facts and circumstances but excludes fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. Abuse also includes the misuse of authority or position for personal gain or for the benefit of another or those of an immediate or close family member or business associate. Waste and abuse do not necessarily involve fraud or illegal acts. However, they may be an indication of potential fraud or illegal acts, internal control weaknesses, or non-compliance, and may still impact the achievement of defined objectives.⁴

¹ NM State Audit Rule 2024 2.2.2.7 F(3).

² NM State Audit Rule 2024 2.2.2.7 F(3); GAO-14-704G federal internal control standards paragraph 8.02.

³ NM State Audit Rule 2024 2.2.2.7 (W); GAO, Government Auditing Standards, 2018 Revision (Yellow Book), Section 6.21.

⁴ NM State Audit Rule 2024 2.2.2.7 (A)(3); GAO-14-704G federal internal control standards paragraph 8.03.

Internal Controls

Effective internal controls require independent and ethical oversight with integrity, accountability, and ongoing risk assessment to provide reliable indicators of an entity's performance. The U.S. Governmental Accountability Office, in Section OV1.01 of the Green Book, defines internal control as "a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved..." without properly designed and implemented internal controls, entities face an increased risk of fraud, waste, and abuse. JAG recommends that the District adopt the US GAO's Standards for Internal Control in the Federal Government (Green Book) as the foundational framework for its internal control system. This framework should guide the continued development of policies and procedures that promote transparency, incorporate regular risk assessments, and establish effective monitoring processes.

Auditing Standards

Auditing standards establish that it is management's responsibility to design, implement, and maintain a sound system of internal control to ensure effective operations, reliable financial reporting, and compliance with applicable laws and regulations. Statement of Auditing Standards (SAS) Codification (AU) Section 110, paragraph .03 explains that it is management's responsibility to adopt sound accounting policies and to establish and maintain internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. SAS AU 316 paragraph .04 states that "Management, along with those charged with governance, should set the proper tone; create and maintain a culture of honesty and high ethical standards; and establish appropriate controls to prevent, deter, and detect fraud. When management and those charged with governance fulfill those responsibilities, the opportunities to commit fraud can be reduced significantly."

Statement on Auditing Standard AU Section 325 paragraph 3 provides that "internal control is a process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations." An agency, local public body, or IPA shall notify the State Auditor immediately upon discovery of any apparent violation of a criminal statute in connection with financial affairs.⁵ If an agency or IPA has already made a

⁵ Section 12-6-6, NMSA 1978.

report to law enforcement, that fact shall be included in the notification. If not immediately known, a follow-up notification shall include an estimate of the dollar amount involved, if known or estimable, and a description of the apparent violation, including names of persons involved and any action taken or planned.⁶

Each agency should evaluate the internal controls by reviewing and testing internal controls to ensure they are properly designed and implemented. Any violation of law or good accounting practice including instances of non-compliance or internal control weaknesses must be reported as an audit finding.⁷

Pursuant to standards, “Auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed: significant deficiencies and material weaknesses in internal control; instances of fraud and non-compliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; non-compliance with provisions of contracts or grant agreements that has a material effect on the audit; and abuse that has a material effect on the audit.”⁸

PERCEPTIONS

The questions and answers in a section below on roles reflect the primary considerations guiding our engagement and are answered based on the evidence obtained, interviews conducted, and documentation examined during the engagement. The answers may be different if further information was or is provided. As well, there are significant philosophical differences from within New Mexico and from other states and cultures.

Most relevant to how District actions have been perceived include end goals (political or otherwise), any history of disputes, and personal upbringing, core values, and lifestyle. Underlying this engagement are many factors affecting perception that should be carefully considered:

Cultural and Regional Context

Local traditions, customs, and community expectations can influence whether something is seen as acceptable, questionable, or improper. What may raise concerns in one setting might be viewed as normal

⁶ NM State Audit Rule 2024 2.2.2.10 (N)(2).

⁷ Section 12-6-5, NMSA 1978.

⁸ GAGAS (Generally Accepted Government Auditing Standards) and Government Auditing Standards (GAO Yellow Book, Sections 6.40-45) addresses professional skepticism and is part of the Fundamental Ethical Principles for auditors.

in another.

Organizational Role and Stakeholder Position

Faculty, staff, regents, students, donors, legislators, businesses, and taxpaying community members may each view the same set of facts differently based on how they are affected and what responsibilities they hold.

Level of Transparency and Communication

If decisions are openly explained, perceptions lean toward legitimacy. However, even if there is transparency but there are miscommunication, rumors, accusations, or lack of communication in the right channels, the same decisions may be viewed as secretive or suspicious.

Past Experiences and Institutional History

A history of prior disputes, disgruntled employees, audits, or controversies can color present-day perceptions even absent current wrongdoing.

Legal and Regulatory Framework

How closely actions align with statutory requirements, administrative codes, or policy guidance often shapes whether stakeholders view them as compliant or problematic.

Economic or Political Environment

Periods of financial stress, leadership changes, or political tensions heighten sensitivity and may cause even routine actions to be viewed with suspicion.

Media Coverage and Public Opinion

News reports and community discussion (especially in smaller communities) can amplify certain issues and shape how stakeholders perceive motives and outcomes.

Standards and Expectations

Perceptions also vary depending on the level of expectations individuals or cultures hold regarding results, outcomes, and quality. Some apply a very high bar, expecting top-tier facilities and grounds, exceptional educational experiences, enriching connections, productive collaboration, and polished outcomes, while others are more accepting of modest or low results and limited resources.

AREAS OF RISK TESTED

A. BOARD OF EDUCATION PROCUREMENTS TESTING – LEGAL SERVICES

Scope of work

- B(i): Identify, assess, examine, and report on all procurements and contracts directed by, requested by, or obtained for the benefit of the Board of Education, documenting required records for compliance with applicable laws, rules, policies, and ethical standards.
- C: Establish a comprehensive understanding of, and report on, the procurement relationship (official and unofficial) between the Board (or any member) and vendors/contractors awarded procurements/contracts identified in B(i), from inception (including periods preceding the review period), documenting records and changes.

Overview

This section summarizes legal-services procurement and payment controls involving PSAs and purchase orders (POs), including contracting authority questions and routing/approval procedures. To update our understanding, we reviewed board minutes, reviewed District policies and procedures, and conducted interviews with members of the finance department, the purchasing department, and current board members as of December 2025; this section synthesizes those sources with the contract scope to frame the narrative and planned audit procedures.

Procedures performed

Bids and Awards for Legal Services

In 2019, the District procured legal services via RFP which included Law Firm 1. In accordance with the NM Procurement Code, professional services must be procured every four years. In anticipation of the procurement period ending June 30, 2023, the District procured with RFP 2023-004-HR four law firms: Law Firms 2, 3, 4, and 5. Law Firm 1's response to the RFP in 2023 was unfortunately one hour and forty-eight minutes past the submission deadline due to a delivery issue. Law Firm 1 did not follow the official protest process in the RFP but Attorney A of Law Firm 1 did request a waiver for a minor technical violation from

the then Interim Superintendent, which was denied by the CPO.

On June 6, 2023, the CPO sent an email to Law Firm 1 alerting them that there would be no additional projects due to their proposal being deemed nonresponsive. The email specified, *“As we approach the end of the contract between Los Lunas Schools (LLS) and [Law Firm 1], please be mindful to avoid any new assignments/requests from LLS that cannot be completed by to June 30, 2023.”*

In December of 2023, Attorney A left Law Firm 1 and continued work on a special education case she had been involved in for many years. The District did not put the services out to bid due to the sole source nature of the work; however, there was no sole source procurement notice or justification for this change to Law Firm 1A. Additionally, there was no Board Approval of this Law Firm 1A. There was a PO issued on May 20, 2024 for \$5,000. When attorneys leave a firm, it cannot be assumed that they continue services under a new firm without a new procurement; the appropriate procurement process must be followed for each new purchase order, whether through small purchase quotations, RFP, or another allowable method, and all applicable internal policies and procedures must be followed anew. This applies even where contract language allows work to continue to completion (e.g., “regardless of the termination date of said contract, any work in place will be carried to completion by the same law firm or person(s) without unduly prolonging the process”); procurement and contract actions should still be completed as soon as practicable. See **Finding 2026-002S**.

Seeking Legal Counsel

From our procedures, we noted that various administrators and board members were concerned about legal advice, as early as April 10, 2024 when there was a quorum of the Board discussing this topic and being unhappy with Law Firm 5. One of the three board members in this discussion called the then Board President, extending with a rolling quorum and asked about obtaining legal counsel other than their current attorney. At the NMSBA law conference in early June 2024, the Board President also spoke to several board members and met with another Board Member with a new attorney, Attorney B from Law Firm 1. See **Finding 2026-004S**.

In June 2024, one year after losing the bid for legal services, Attorney B from Law Firm 1 was contacted by the then Board of Education President officially to provide legal counsel advice on a Board of Education related matter. This attorney was not on the June 6th email regarding no new assignments or requests. The

Board President had sought advice from the then Superintendent, a former Superintendent⁹, a Superintendent from another District, and Attorney B. Per Board Policy B-3050 it was the responsibility of the then Superintendent to be the go between communication between the Board President and Finance/Purchasing, not for the CPO to talk to the then President nor the then President to seek guidance from the CPO. Based upon advice the then President received, she was referred to and utilized services of Law Firm 1 Attorney B in June 2024. The legal matter was reportedly originally related to a then Board Member who had been elected but did not have residency in her District.¹⁰ The related invoice #41258 for June 5, 6, and 12, 2024 refers to communications with the Board President regarding “various concerns/issues” and totaled \$694.18.

During this time period, as documentation confirms, the then Board President had been questioning the then Superintendent on his decisions and performance based upon her observations and community and staff concerns. Interviewees expressed he was concerned about his position and about the Board retaining legal counsel.

On June 18, 2024, the Board agenda included a Professional Services Agreement (PSA) for an attorney to represent the Los Lunas Schools Board of Education. The CPO shared that her position was that since Law Firm 1 was nonresponsive, they could not be hired. She spoke her concerns with the Board of Education that there could be a protest [of the procurement from a year prior] and that they should let Law Firm 5 know via letter they were not happy with their services so there could be a cure instead. Based partially upon the information provided by the CPO during the meeting, the vote to approve the PSA failed 3 to 2. It is alleged that Attorney B from Law Firm 1 aggressively accused the then Superintendent of intentionally sabotaging the PSA.

It is important to note that the District had requested and received an informal NM State Ethics Commission opinion letter on the procurement of additional legal counsel in 2020. Records show that certain Purchasing and Finance employees were included on these communications and should have known and communicated

⁹ The Former Superintendent let the then Board President knew that Law Firm 1 had previously provided general legal counsel via a PSA and there was one current open for legal – open projects.

¹⁰ This Board Member resigned on July 24, 2024 after this meeting. Documents indicate the then Superintendent had been notified previously and did not bring the matter to the Board’s attention. It is well within any Board Member’s duties and rights to follow up and address the matter.

the allowability per the NM State Ethics Commission Advisory Opinion 2020-08¹¹ to the Board of Education so the Board could have made a fully informed decision. It is possible the CPO in her presentation forgot about that highly relevant opinion; she shared she was not prepared to present that evening, she just happened to be at the board meeting and was asked to address the issue.

There was also confusion surrounding which of the four firms awarded from the 2023 RFP (Law Firms 2, 3, 4, and 5) would be able to provide services for what the Board needed. Since there were performance and communication issues occurring with the then Superintendent, Board Members seemed to all agree per our interviews and in other documents that Law Firms 2 and 5 were conflicted since they spent so much time advising the then Superintendent. Although Board Policy B-1250 and common school law practice say if there is a conflict between the Board and the Superintendent, the Board's attorney will default to Board representation, Law Firm 2 stated he could not as he was conflicted/adverse¹² in accordance with his ethical standards and the Board already did not feel comfortable with Law Firm 5. Law Firm 4 had not been utilized in the past and was unavailable until later in the year and the board members had reportedly never heard of Law Firm 3, which had possibly performed collective bargaining work unrelated to the Board. Complicating the matter, Administration and Purchasing would not have necessarily been aware of the loyalty and independent judgment involved as essential elements of unconflicted legal representation.

New Attorney Hired and Services Provided

The Temporary Superintendent signed the PSA because she was incorrectly advised that the Board did not need to approve the PSA after all, that was the role of the Superintendent for agreements less than \$60,000. However, per Board Policy B-1250 School Attorney, "*Board attorneys are retained by the Board as counsel for*

¹¹ "Question Presented: Where a school district has awarded contracts for legal services to three law firms based upon competitive sealed proposals, does the Procurement Code allow a school district to procure legal services in excess of \$40,000 from a law firm that was not awarded a contract through the school district's competitive-sealed-proposal process? Conclusion: Under the Procurement Code, a school district can procure legal services from a law firm without using a competitive-sealed-proposal process, so long as the total contract amount does not exceed \$60,000 (excluding applicable state and local gross receipts taxes) and the procurement accords with the professional services procurement rules promulgated by the school district's central purchasing office."

¹² American Bar Association Rule 1.7: Conflict of Interest: Current Clients, Client-Lawyer Relationship, "(a) Except as provided in paragraph (b), a lawyer shall not represent a client if the representation involves a concurrent conflict of interest. A concurrent conflict of interest exists if: (1) the representation of one client will be directly adverse to another client; or (2) there is a significant risk that the representation of one or more clients will be materially limited by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer. See also Rule 16-107 NMRA and 16-109 NMRA

the Board to provide legal service on any matter related to the operation of the District.” Additionally, per the District’s Procedures Manual (updated September 2023), “All contracts for general services in excess of \$20,000 must be approved by the School board. All contracts for professional services in excess of \$40,000 must be approved by the School Board.”¹³ Legal services were billed from Law Firm 1 Attorney B beginning June 5, 2024.

On July 16, 2024, the then Superintendent was placed on administrative leave after executive session. Attorney B was in attendance. There was a Temporary Superintendent until the now Superintendent was named as Acting Superintendent on July 23, 2024. The then Superintendent was officially terminated on November 14, 2024.

On July 23, 2024, there was another board meeting with the PSA for Law Firm 1 again on the agenda. It is perfectly well within Board members’ duties and rights to bring agenda items back onto the agenda for reconsideration. The Temporary Superintendent recommended removal of the item, and it was removed during agenda approval process. Minutes show she stated, *“it was within the Acting Superintendent’s authority to approve contracts under \$60,000. In order to preserve the integrity of the District, and to avoid any further procurement code violations, she had approved the contract.”* She signed the PSA on this same day, the term of the contract stated June 6, 2024 through June 6, 2025. Although this was done upon legal and internal advice, it still went against what the Board had voted. Board votes are what delegate authority and direction to the Superintendent.

Due to the sensitive and urgent nature of the situation and based on information she was given on the Temporary Superintendent’s authority, the CFO had requested a Purchase Requisition and then approved the resulting PO for several levels (two for Purchasing, one for Finance, and then for the Superintendent) with “Quick Approval Used” on the PO. The Purchase Requisition had been entered by an employee in the Temporary Superintendent’s office the day before, on July 22, 2024. A Budget Analyst approved/created the PO 252191 on July 23, 2024 as the last step. The purchasing had not officially gone through the CPO, in

¹³ The District changed policies to the NM School Board Association (NMSBA) policy services on April 18, 2023. However, the Procedures Manual was updated in September of 2023 and did not remove the District’s procedure (stricter than state law or board policy) requirements of obtaining quotes and approvals.

violation of the NM Procurement Code,¹⁴ the CPO should have signed off on the PO,¹⁵ the District's Finance Committee should have been involved in the procurement per District past and current practices and via their statutory duties,¹⁶ and did not have Board approval in violation of B-1250 School Attorney.¹⁷ Additionally, for good practice and public transparency, documents for Board consideration should be added to their board packets at least three days prior to the board meeting. See **Finding 2024-001S**.

Purchase Orders

The question arose, "Did Law Firm 1 have a purchase order"? The District did have two purchase orders open for Law Firm 1, one for FY23 (PO 230072) and one for FY24 (PO 240669, \$59,999.99, issued August 10, 2023, for undesignated LEGAL – OPEN PROJECTS, CPO procurement notes small purchases professional services under \$60k). However, in the course of regular year-end PO closure procedures, the Purchasing Buyer closed these POs on June 21, 2024. The timing did seem suspicious to people involved since it was just following the board meeting where legal services were debated. However, per our testing and interviews, we did not note any unusual trends with the closing of POs in June 2024.

The position of Purchasing is that the new Board work was not ongoing, or open, work. The position of the attorney, administrators, a former Superintendent, and the Board President and perhaps other Board Members is that Law Firm 1's work defaulted to representing the Board by policy and practice, and that the August 10, 2023 PO and PSA remained sufficient until formally clarifying the representation on July 23, 2024 due to increasing confusion. In the strictest technical sense, since the POs for Law Firm 1 were closed on June 21, there was no PO in place for these services from June 21 – July 23, 2024. See **Finding 2026-001S**.

¹⁴ Section 13-1-97 C NMSA 1978, "All procurement for local public bodies shall be performed by a central purchasing office designated by the governing authority of the local public body..."

¹⁵ Section 13-1-95.2 E., "On and after July 1, 2015, only certified chief procurement officers may do the following, except that persons using procurement cards may continue to issue purchase orders and authorize small purchases: (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code; (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and (3) approve procurement pursuant to the Procurement Code."

¹⁶ Section 22-8-12.3 1 (B), "Each local school board shall appoint at least two members of the board as a finance subcommittee to assist the board in carrying out its budget and finance duties. (C) The finance committee shall: (1) make recommendations to the local school board in the following areas: (a) financial planning, including reviews of the school district's revenue and expenditure projections; (b) review of financial statements and periodic monitoring of revenues and expenses; (c) annual budget preparation and oversight; and (d) procurement; and (2) serve as an external monitoring committee on budget and other financial matters."

¹⁷ Board of Education Policy B-1250, "Board attorneys are retained by the Board as counsel for the Board to provide legal service on any matter related to the operation of the District."

Legal services activity during this period included billings beginning June 5, 2024, an invoice received July 16, 2024, and attendance by Attorney B at a closed session on July 16, 2024, all occurring while no valid PO was in place. On July 23, 2024, an agenda item related to approval of legal services for Board representation was included on the Board agenda but was not voted on. On that same date, the Temporary Superintendent executed a professional services agreement with a service start date backdated to June 6, 2024 through June 6, 2025. The Temporary Superintendent, based upon legal and other advice, asserted authority to approve contracts under \$60,000; however, this conflicted with Board policy regarding Board legal counsel and prior Board action on the matter.

PO 250345 was issued on July 23, 2024 and entered by staff within the Temporary Superintendent's office. The PO approval step was completed by the Chief Financial Officer rather than through the Chief Procurement Officer approval queue, per purchasing workflow descriptions provided by staff.

There were also concerns regarding purchase orders for Law Firm 1 in FY25. The first PO, PO 250345, was procured using a Small Purchase determination, and incurred \$47,759.77 in expenditures on the \$49,652.39 PO amount before the District then initiated another purchase order. To do so, the Board approved a new procurement and Cooperative Contract #2324-201 through a Clovis Municipal Schools Request For Proposals (RFP) valid procurement method on November 19, 2024 for Law Firm 1. This PO, PO 252191, was issued on November 22, 2024 and underwent four addenda (two that changed the amount), increasing to approximately \$120,000 for legal services. On that PO, \$81,106.63 was expended, bringing total expenditures across the two POs to \$128,866.40, leading to questions about price control.

As we evaluated the price controls used, we noted that the addenda underwent required approvals within the finance and purchasing departments. These PO amendments were not presented to the Board for approval, as Board policy only requires approval for contract changes over 10%, and the associated PSAs were not themselves limited to any amount. Extending this policy to include PO amendments may help strengthen pricing controls.

Subsequent Years

In May 2025, Attorney B left Law Firm 1 and created Law Firm 1B. This procurement also utilized Clovis Municipal Schools Cooperative Contract #2425-205. That related RFP did state other entities could utilize this procurement. Although "piggybacking" is not illegal, it is somewhat discouraged in practice for fair and

open local competition and public transparency. The Professional Services Contract with Law Firm 1B was approved June 17, 2025 by the Board of Education and services are currently provided to the District.

Per open POs as of the writing of this report, the District still obtains services from Law Firms 1B, 3, 4, 5, and 7 (a new firm through NMPSIA).

Timeline

Date/Period	Event
May 2023	Board approved awards to multiple legal-services firms under RFP 2023-004-HR. District awarded Law Firms 2, 3, 4, and 5.
June 6, 2023	CPO emailed Law Firm 1 advising no new assignments.
December 2023	Attorney A left Law Firm 1; continued special education cases.
April 10, 2024	Board quorum discussed dissatisfaction with Law Firm 5.
Early 2024	Board-only counsel concept described; authority questions around initiating legal services.
Early June 2024	Board President met Attorney B (Law Firm 1) at NMSBA conference.
June 18, 2024	Board vote on PSA for Law Firm 1 failed (3–2).
June 21, 2024	Existing Law Firm 1 POs closed.
July 16, 2024	Closed executive session described; superintendent placed on paid administrative leave; counsel participation

	questioned.
July 22–23, 2024	PSA signed by Acting Superintendent; PO 252191 created.
July 24, 2024	Board Member resigned over residency issue.
November 14, 2024	Former Superintendent officially terminated.
November 19, 2024	Board approved Clovis Cooperative Contract for Law Firm 1.
April 29, 2025	Special Meeting, Apr. 29, 2025: Board discussed DOJ/GCA directive and PSA/PO procedures.
May 2025	Attorney B formed Law Firm 1B.
May 20, 2025	Regular Meeting, May 20, 2025: Board continued narrative on PSA/PO procedures and policy need.
June 17, 2025	Board approved Professional Services Contract with Law Firm 1B.

Open Meetings Act

We identified noncompliance with the Open Meetings Act based on interviews with District personnel, documentation provided to us, and review of board minutes, indicating that Board business was discussed or decisions were developed outside a properly noticed public meeting.

Interviews describe context around how the alleged OMA issue arose. The specific incident in question precipitated when board members discussed selection of the District’s legal services vendors, whether to extend or revise a legal services PSA, while on their way to a meeting and then in attendance at a law conference. Informal discussions among Board members created “rolling quorum”. Interviews also describe events adjacent to the complaint timeline, including legal counsel participation in a closed session and the

broader sequence of legal-services contracting actions occurring around the same period. Interviewees connect these events to the transparency concerns that resulted in the complaint and subsequent corrective narrative being read publicly.

The Department of Justice, Government Counsel and Accountability Division, issued a written determination regarding an OMA complaint on this matter, and determined that an open Meetings Act violation occurred. The DOJ/GCA required the Board to provide a corrective statement summarizing what occurred outside an open meeting and to explain the actions and discussions relating to a professional services agreement for legal services. The corrective action process: a corrective narrative was read aloud in public, and the Board treated this as part of an agenda item specifically framed around affirming board roles/responsibilities and compliance with the Open Meetings Act. The minutes include details describing the corrective narrative's scope (including discussion of communications related to the legal-services PSA and references to "polling" and a "rolling quorum"), and they reflect that the item was brought forward for Board affirmation in a properly convened meeting.

Additionally, we noted that in the June 18, 2024 meeting one board member calling in could not be heard several times during the meeting. OMA requires that participants and attendees be able to hear each other.

Audit procedures performed

- JAG obtained a population of all purchase orders and all disbursements during the Period (July 1, 2023 – May 1, 2025) directly from the accounting system. We filtered for all purchase order (POs) relating to legal services, and then filtered disbursement for those same PO numbers and vendors. We selected 100% of this population for testing and obtained all associated supporting documentation (POs, Professional Service Agreements (PSAs) / contracts, invoices, approvals).
- JAG identified applicable criteria (laws, rules, board policy, procurement thresholds) and developed test attributes.
- We tested all legal services POs for compliance with the NM State Procurement Code and internal purchasing policy (e.g., proper Request for Proposal or Small Purchase procedures), tested for proper electronic approvals, approvals and documentation for any PO amendments, contract execution,

board approval of the PSA, and documentation completeness.

- We tested all legal services disbursements and agreed the amounts back to an approved purchase order, reviewed each invoice for “OK to Pay” approvals indicating that services were performed, reviewed the nature of such services matched the intended purpose (e.g. general legal services, board of education legal services, ongoing case services, investigatory services), tested whether legal services were performed or invoiced prior to formal authorization, and correlated all PO and invoice approvals against recipients of services to check for conflicts.
- We reconstructed the authorization timeline for POs of concern (board vote, PSA execution/effective dates, PO creation date, invoice dates, payment dates) and reconciled to supporting documentation.
- We reviewed purchasing-system workflow and approval logs to determine whether routing controls were bypassed and document reasons and approvals.
- We evaluated whether engagements were structured to remain under procurement thresholds and whether aggregation rules apply.
- We corroborated any exceptions through follow-up inquiries and document root-cause observations.

Results of audit procedures

We selected a 100% sample of 18 legal services purchase orders totaling \$911,740. The table below summarizes the audit procedures performed, and the results of those procedures:

Audit Procedure	Applicable samples	Exceptions	%
Compliance with State Procurement Code and State Purchasing Regulations	18	0	0%
District's stated needs for good or services has business purpose and is supported by records	18	0	0%
Proper purchase order approvals (with no conflicting duties)	18	1	6%
Purchase order authorized prior to receipt of goods/services	18	1	6%
Contract signed	18	0	0%
Board approved the procurement	18	2	11%
Total	108	4	4%

For detailed results, see **Finding 2026-001S**.

We selected a 100% sample of 82 legal services invoices paid, totaling \$302,803. The table below summarizes the audit procedures performed, and the results of those procedures:

Audit Procedure	Applicable samples	Exceptions	%
Proper invoice payment approvals (with no conflicting duties). Including "OK to pay," and verification of receipt of goods or services.	82	0	0%
District's stated needs for good or services has business purpose and is supported by records	82	0	0%
Purchase order authorized prior to receipt of goods/services	82	2	2.4%
Amounts agree to supporting documentation & G/L (purchase orders, invoices, contract/Statement of work, reimbursement invoices, receiving documents, G/L total, etc)	82	0	0%
Verify goods and/or services purchased from the vendors and contractors are in accordance with the purchase orders	82	0	0%
Note any potential fraud, waste or abuse, conflicts, nepotism, or other irregularities identified. Note any potential board or other outside influence over the purchase, or any concerns regarding the purchase documented in file	82	0	0%
Total	492	2	0%

For detailed results, see **Finding 2026-001S**.

B. OTHER PROCUREMENTS TESTING

Scope of work

A: Establish a comprehensive understanding of, and report on, the processes and procedures (both official and unofficial) utilized by the District for procurements and contracting during the period.

B(ii): Identify, assess, examine, and report on procurements and contracts obtained by, or entered on behalf of, the District, excluding the Board of Education.

B(iii): Perform statistical sampling of no less than 25% of procurements and contracts identified in B(ii), including supporting documentation, for compliance with applicable laws, rules, policies, and ethical standards.

B(iv): Assess and report on exceptions or deviations noted.

D: Identify all financial activities between the District and vendors/contractors during the period excluding those in B(i); perform statistical sampling of no less than 25% of financial activities and test for compliance with applicable laws, rules, and District policies.

D(i): Vendor/contractor procurement: consider the District's stated needs; document records supporting bids/proposals, contracts, price agreements, sole-source, or other procurement basis within the statistical sample.

D(ii): Correlate/schedule related purchase orders, authorizations, and receipt verifications with invoices and procurement/contract specifications.

D(iii): Verify goods/services purchased are in accordance with purchase orders within the statistical sample.

D(iv): Review records supporting vendor/contractor invoicing within the statistical sample and schedule goods/services invoiced.

D(v): Document and report that invoice payment authorizations within the statistical sample were valid and in accordance with District policies.

D(vi): Review receipts of goods/services and purchase verifications within the statistical sample, including analysis of verifications prepared or completed by District staff (authorized and unauthorized).

D(vii): Review and analyze vendor/contractor relationships with the District (including the Board) within the statistical sample; document conflicts of interest, nepotism, or other irregularities identified.

D(viii): Identify, analyze, and review other documentation/authorizations within the statistical sample

required as part of procurement of goods/services.

E: Identify and analyze potential deficiencies (recordkeeping, safeguarding assets, following laws/regulations/policies/procedures, ethical commitment) under NMAC 1.4.1 State Procurement Code Regulations.

F: Establish a comprehensive understanding of, and report on, the District's processes/procedures (official and unofficial) for accountability and transparency over expenditure of public funds and use of public resources during the period.

Overview

This section addresses purchase orders and payments for vendors and contractors other than legal services, including procurement/contracting practices and compliance testing over POs, invoices, receipt verifications, and approvals.

To update our understanding, we reviewed board minutes and conducted interviews; this section synthesizes those sources with the contract scope to frame the narrative and planned audit procedures.

The contract scope requires establishing a comprehensive understanding of procurement and contracting processes (official and unofficial) and testing compliance through statistical sampling of procurements, contracts, and related financial activities. This includes testing purchase orders, invoices, receipt verifications, and payment authorizations, as well as documentation supporting the procurement method (e.g., bids, proposals, price agreements, and sole-source support).

Because this workstream covers purchases and payments excluding board-directed procurements, it is intended to evaluate whether controls and procurement compliance function consistently across district vendor activity and whether exceptions or deviations are present and explainable.

Procedures performed

- JAG obtained a population of all purchase orders and all disbursements during the Period directly from the accounting system. We filtered for all purchase order (POs) relating to legal services, removed these from the population, and then selected a sample totaling over 25% of total expenditures from the remainder. This sample was selected by dividing the population into 4 strata. 40 purchase orders were selected from those between \$0 and \$19,999.99 (0.4% coverage), 40 between \$20,000 and \$59,999.99 (11.3% coverage), 40 between \$60,000 and \$2,000,000 (22.0% coverage), and all 10 purchase orders above \$2,000,000 (100% coverage). This achieved a sample

of 130 purchase orders totaling \$61,815,350, out of \$132,511,234 available (46.6% coverage). We then filtered disbursements for those same PO numbers for testing. We obtained all associated supporting documentation (POs, Professional Service Agreements (PSAs) / contracts, invoices, approvals).

- JAG identified applicable criteria (laws, rules, board policy, procurement thresholds) and developed test attributes.
- We tested all non-legal service POs for compliance with the NM State Procurement Code and internal purchasing policy, tested for proper electronic approvals, approvals and documentation for any PO amendments, contract execution, board approval of the PSA, and documentation completeness.
- We tested all legal services disbursements and agreed the amounts back to an approved purchase order, reviewed each invoice for “OK to Pay” approvals indicating that goods were received or services were performed, tested whether goods were received or services were performed or invoiced prior to formal authorization, and correlated all PO and invoice approvals against recipients of services to check for conflicts.
- We reconstructed the authorization timeline for POs of concern (board vote, PSA execution/effective dates, PO creation date, invoice dates, payment dates) and reconciled to supporting documentation.
- We reviewed purchasing-system workflow and approval logs to determine whether routing controls were bypassed and document reasons and approvals.
- We evaluated whether engagements were structured to remain under procurement thresholds and whether aggregation rules apply.
- We corroborated any exceptions through follow-up inquiries and document root-cause observations.

Results of procedures

We selected a sample of 130 purchase orders totaling \$61,815,350. The table below summarizes the audit procedures performed, and the results of those procedures:

Audit Procedure	Applicable samples	Exceptions	%
Compliance with State Procurement Code and State Purchasing Regulations	129	0	0%
District's stated needs for good or services has business purpose and is supported by records	129	0	0%
Proper purchase order approvals (with no conflicting duties)	129	0	0.0%
Purchase order authorized prior to receipt of goods/services	129	0	0%
Board approved the procurement	59	25	42%
Total	575	25	4%

For detailed results, see **Finding 2026-012S**.

We selected a sample of 2,471 invoices paid, totaling \$26,717,602. The table below summarizes the audit procedures performed, and the results of those procedures:

Audit Procedure	Applicable samples	Exceptions	%
Proper invoice payment approvals (with no conflicting duties). Including "OK to pay," and verification of receipt of goods or services.	2471	0	0.00%
District's stated needs for good or services has business purpose and is supported by records	2471	0	0%
Purchase order authorized prior to receipt of goods/services	2471	0	0%
Amounts agree to supporting documentation & G/L (purchase orders, invoices, contract/Statement of work, reimbursement invoices, receiving documents, G/L total, etc)	2471	1	0.04%
Verify goods and/or services purchased from the vendors and contractors are in accordance with the purchase orders	2471	0	0%
Note any potential fraud, waste or abuse, conflicts, nepotism, or other irregularities identified. Note any potential board or other outside influence over the purchase, or any concerns regarding the purchase documented in file	2471	0	0%
Total	14826	1	0.01%

For detailed results, see **Finding 2026-012S**.

C. BOARD INVOLVEMENT IN DAY-TO-DAY OPERATIONS

Scope of work

- Objective: Determine risks of financial fraud, waste, or abuse associated with procurement and contracting practices; expenditures of public funds; use of public resources; and whether Board of Education involvement in day-to-day operations constitutes board interference in day-to-day operations.
- G: Establish a comprehensive understanding of, and report on, the processes/procedures (official and unofficial) utilized by the Board of Education to interact with, direct, or otherwise be involved with day-to-day operations of the District.
- H: Identify and analyze potential deficiencies (recordkeeping, safeguarding funds/resources, following laws/regulations/policies/procedures, ethical commitment) in the Board's involvement in day-to-day operations.

Board Member Roles and Duties

Due to the District's history with previous board members allegedly bullying, interfering in procurement, violating ethics, and interfering in personnel matters, along with a former Board suspension, there are concerns about Board Member roles and duties. Past Board Presidents and Board Members have been accused of overstepping. We found, as it relates to the Period of this engagement, a gross misunderstanding of board members' roles and duties. To clearly provide leaders and stakeholders answers, we show below some of the allegations in the form of questions and then the answers based on our testing, interviews, experience, and research.

Did the Board of Education or Board Members violate law, regulation, or policy or overstep in these instances:

1. Discussing a vendor and tool for teachers/students in an open meeting when the Member had previously worked for that company.
 - a. No. See Related party transactions section below, there was not a conflict of interest or personal gain to our knowledge. See Board Policies B-0750 and B-0800. Any Board Member may share

information and draw upon their work experience and knowledge to help the District operationally, financially, or otherwise.

2. Collecting and providing an attorney's business cards to Board Members.
 - a. No. Gathering and providing information is not prohibited by the Open Meetings Act (OMA). However, discussion or action on official District business with three members outside an open meeting is – see next question.
3. Discussion amongst Board Members in person and via phone the performance of a current firm and hiring of recommended legal counsel before/during/after a meeting and conference.
 - a. Yes. Three board members violated OMA on this subject on the way to a meeting and the violation continued with the former President's actions via the conference. This was determined by the NMDOJ and the District cured the violation in two open meetings by reading the circumstances and corrective actions.
4. Being a member of social media groups, commenting, or answering community members on the social media platform.
 - a. No. Board members are elected by The People and serve the public directly. Within their role, they are allowed and even expected to talk to community members, students, staff, vendors, oversight agencies, legislators, etc. in the course of their official duties. To properly perform their oversight and leadership role, they may need to gather information, ask questions, provide information, etc. Most communications with community members and staff are informal, not official statements or communications and decisions.
 - b. With that said, there are boundaries in place via best practices and policies. Board members may not disclose confidential legal or personnel matters. See Board Policy B-3150. When speaking to the media in particular, they should state they do not represent the entire Board (unless they have been delegated by the Board to be the spokesperson on a topic which is perfectly acceptable).
 - c. Board members should encourage those who bring official complaints to the Superintendent to follow the chain of command (Policy B-3100 regarding official Board Communications with the Public¹⁸ and Policy B-3050 regarding official Board Communications with Staff Members).

¹⁸ B-3100 BHD, "Official communication between the Board and the community is subject to the following: Any community

However, in common practice of representing the Public, most constituents do not wish to bring concerns to the Superintendent and it is acceptable for board members to bring informal information to the Board or the Superintendent.

5. Emailing constituents alleged comments such as ‘we will address that’ or ‘we can and will do better’.
 - a. No. Reassuring constituents that matters will be addressed is good and any Board member should address things and strive for the District to do better. For official communications or complaints, they should be routed through the Superintendent. We were not provided with nor see any instances of violations of this policy.
6. Addressing the issue of a newly elected Board Member not residing in the District she was elected to with legal counsel and meeting with the Board Member herself.
 - a. No. Per Board Policy B-1250, the Board President is delegated by the Board of Education to be the legal liaison for the Board. The Superintendent at the time was reportedly informed twice of the issue and did not act. It is not a violation for the President to seek legal counsel on any District topic; in fact, it was her duty.
 - b. Any Board Member may meet with another Board Member to address an issue so long as there is not a quorum or rolling quorum in violation of OMA.
 - c. As the chosen leader of the Board, it would be neglecting her duties to the Board to leave a critical Board matter such as this unaddressed.
7. Utilizing Law Firm 1’s services on June 4, 2024 without an official Board vote.
 - a. Yes. This was not advised to the President at the time. However, our procedures discovered this was a violation of Board Policy B-1250 which requires the Board of Education to hire the School Attorneys.
8. Requesting procurement of an additional attorney for Board legal services, even though an RFP was completed the year before and the proposed attorney’s firm had been deemed nonresponsive.
 - a. No. We agree with Investigator 3. As Board liaison this was within the then Board President’s

member who exhausts the opportunity of discussing a matter at the administrative level may communicate with the Board in writing. No anonymous communication will be considered by the Board; A member of the community who wishes to address the Board in person may do so by following the procedures in Policy [B-2150] BEDH; Official communications, policies, Board concerns, and Board action, as appropriate, will be imparted to the community by the Superintendent.”

rights and duties.

- b. Per the District's NM Ethics Commission advisory opinion 2020-08, it is fine to procure additional attorneys even after an RFP process is completed.
 - c. Sending letters of complaints to current law firms regarding their services, while may be recommended or deemed necessary, is an ancillary issue and is not required.
 - d. Cancellation of current law firms contracts in order to procure another vendor is not required nor recommended.
 - e. The alternative attorneys were either conflicted, unavailable, or unknown to the people involved in this decision.
 - f. The then President was receiving advice from multiple sources to retain this particular attorney.
9. Working with the Superintendents to enter into a PSA with Law Firm 1.
- a. No, then Yes. Originally, this was fine to work with the Superintendents; see previous question. However, services were utilized prior to procurement and Board vote. Later, after there was Board vote against the PSA, it was inappropriate without a new vote. The Temporary Superintendent unintentionally overstepped in this instance based on advice she received because there was a vote against the PSA and backdated it. These issues were not advised to the President at the time, who was a relatively new board member. The advice Board Member(s) and the Temporary Superintendent were given externally and internally was conflicting. One attorney advised that the Board must approve. Another attorney and a former Superintendent advised that the Superintendent may approve contracts under \$60,000 and it did not need Board approval after all. However, in actuality, this was a violation of Policy B-1250 (see previous question) and since the Board had just voted against the PSA (based upon incomplete information provided by administration at the meeting), that was the delegated authority/direction to the Superintendent to not approve it, not to go around the Board and approve it on her own accord because she was told she had the power to do so. Superintendents' powers and duties come from Board direction.
 - b. Per Policy B-0250, all powers of the Board lie in its action as a public body and no individual member has authority except when delegated by a vote of the Board. Policy B-0950 reinforces that Board Members "may not act for, or on behalf of the Board, without prior specific authority from a majority of the Board". B-0750 relating to board member ethics calls on each member to act in a manner that maintains public trust and to avoid actions that could create conflicts or give

the appearance of exceeding one's authority.

- c. As the Board's legal liaison, the Board President may request the Superintendent to provide to the Board a PSA for approval, assuming procurement and other policies are appropriately handled by the Superintendent delegating properly to Purchasing.

10. Obtaining legal counsel advice that was not provided to the full Board.

- a. No. Per Policy B-1250, "The President of the Board shall have access to the Board's attorneys and may request legal advice about school business. Such requests may be in writing, in person or by telephone. The advice received shall be shared with the Board and Superintendent as determined by legal counsel."
- b. As the policy is written, it is up to the judgment of the attorney to share the advice or not, unless it is an official written legal opinion letter. We recommend the Board consider changing this policy.
- c. Additionally, while the policy does not state this, individual board members should be able to request a written legal opinion letter through the Board President. If the President were to refuse for some reason, a board member should be able to add an agenda item so a Board vote could be taken on requesting the legal opinion at which point the President would be obligated to request it and provide in accordance with the policy.

11. Changing Board Policy B-2150 in comments regarding public participation in the September 16, 2025 board meeting.

- a. No. From our review, the comments were in addition to the policy information.
- b. However, we note that the additional comments were limiting public comment beyond the policy. There is no policy to not hear comments that include District employees by name. The Public has first amendment rights under the US Constitution as the right of the People to petition the Government for a redress of grievances. As long as the public comments are not ugly personal attacks in violation of B-2150, the Board has the duty to hear complaints, even about personnel.
- c. The New Mexico law change commonly referred to as HB212 did not change the Board's oversight duties as it relates to District operations and personnel other than the Board cannot hire, fire, demote, evaluate personnel or direct the Superintendent to do such. This does not mean the Board cannot hear from the Public, perform governance or oversight, or address/discuss personnel administrative and day-to-day matters with the Superintendent. The Board cannot act

directly on personnel but certainly can receive complaints and concerns, can direct the Superintendent at a policy/oversight level, and hold the Superintendent accountable for follow up on personnel and policy concerns. They would be negligent in their duties if they did not. There are unfortunately examples of damage when Board members do not communicate on matters they become aware of and do not hold the Superintendent accountable for follow up actions in the best interest of students, staff, and the public in general.

- d. With the Board's quasi-judicial powers, they should not participate in *ex-parte* communications relating to hearing employee appeals on employment matters. This is not the same as hearing from the public in an open meeting about personnel concerns.
- e. The Board and board members should refer the complaints to the Superintendent for follow up.

12. Expressing opinions to the Superintendent on an Administrator or other personnel.

- a. No. We agree with Investigator 3. The communications in question were not direction to staff and an experienced Superintendent would understand that one Board member cannot take action but has the right and duty to express their concerns.
- b. We noted unprofessional actions by the former Superintendent in sharing the Board President's communications with the Administrator. This reportedly created a lawsuit against the District.
- c. Our procedures indicated the concerns expressed, while they were emotional and the then Board President may have waited until she was calmer, were valid concerns. Board members would not be performing their duty to the People and the District if they did not express concerns such as these to the Superintendent.

13. Requesting that curriculum decisions be brought to the Board of Education on the agenda for consideration and action.

- a. No. The Board of Education remains responsible for proper fiscal and operational results. As closest to the People and for transparency, it is a great idea for the Board to provide the opportunity for the Public to see curriculum options being considered, hearing the Superintendent's recommendations, and having healthy board debate and direction to the Superintendent on how to proceed.
- b. The Board is responsible by state law and regulation for determining the educational policies of the District, along with budget and other student and parent concerns, including oversight of curriculum and instructional programs.

- c. Procurement is only one aspect in a long chain of separate considerations for compliance, proper public service, transparency, governance, fiscal responsibility, student outcomes, delegation/direction to the Superintendent, public and staff input, and proper governance oversight and accountability. Just because curriculum is exempt from procurement or because PED has a list for which is covered by funding are not valid reasons to keep the curriculum adoption considerations and decisions away from the Board or the Public for input and decisions.
14. Overstepping their role regarding Board agendas.
- a. No. No specific instances were provided or found of this occurring.
 - b. Board Presidents do have the duty to add the agenda items requested by individual board members timely and accurately so as not to prohibit their proper representation of the People and duties as an individual board member.
15. Not communicating items or details brought up at Board meetings to administrators or other board members in advance.
- a. No. Any board member may add agenda items or say comments that are not first provided to others. As a professional courtesy, board members may wish to discuss topics with the Superintendent or one other board member (no quorums outside OMA allowed); however, this is not required.
16. Allowing an attorney to sign a legal agreement allowing release of attorney client privileged information on behalf of the Board.
- a. Yes. This should have been a vote to delegate that authority by the full Board after thorough discussion with any conflicted board members recused.
17. Negotiating Superintendent contract terms without delegation and consent from the Board.
- a. Yes. This should have been a vote to delegate that authority by the full Board.
18. Acting alone without Board approval (other than as described above and in Findings in **Exhibit 1**).
- a. No. Generally speaking, Board members may do many things alone or with one other member of the Board. They can gather information, do site visits, ask questions, express concerns, communicate with the public and others, state their opinions and recommendations, draft

policies, attend events, participate in committees, research, bring items for consideration, coordinate with one other Board member and the Superintendent, speak as an individual board member or private citizen, challenge the status quo, exercise oversight, etc. They cannot take official action, direct personnel, or take positions on behalf of the full Board. We encourage board members to add items to the District's meeting agendas to work through any official actions in accordance with the Open Meetings Act for transparency and proper input from the Administration and the Public.

In summary, we noted the District has a general misunderstanding of the Board of Education and Board Members' roles and duties. There has been pressure on Board Members and the Board of Education not to question things or decide on things that are well within their responsibilities to do so. However, there have been reports of bullying and alleged coercion by past board members and more recent concerns with scolding, embarrassing people, overstepping, apathy, or avoidance as board members have different personalities and approaches. We also noted a heavy focus on procurement, which as mentioned, is only one compliance area consideration in all the requirements and duties the Superintendent, Administrators, and Board Members must analyze within the complex environment of government and public service. Procurement must be followed; however, it should not drive overall governance and decisions as the only relevant factor.

We have noted that Purchasing and Finance are very conscientious about their work, which is excellent, and the past external audits and this special audit confirm that the District has historically had stronger than average compliance and internal controls. Employee turnover in these areas is low. Procurement and expenditure testing, while expansive, revealed very few exceptions, which is rare in an extensive engagement such as this. Financially and operationally, the District appears to have continued to operate well, despite past power struggles and political drama.

Superintendent Contract Changes

The then Superintendent contract underwent several changes from the onset and was a significant area of concern that came up during our interviews with District personnel and Board members. Several interview accounts describe a pattern of expectation from former board members that benefits or favorable actions would be exchanged, summarized as an attitude that you "do something to get something." In that framing, the then Superintendent's rapid contract renegotiations (additional benefits, leave, paid travel/certification,

extensions, and later a raise) were viewed by some as unusual for a newly hired superintendent with no previous experience as a superintendent and therefore raising suspicion about whether they were connected to expected reciprocation (even if direct proof was not claimed). In our interview with the then attorney, the changes did have reasonable explanations but it appeared the new Superintendent was doing all he could to negotiate quick and favorable changes.

Relatedly, some interview narratives went further and suggested that the then Superintendent's hiring and/or subsequent contract enhancements were perceived to be linked to a board agenda. There was an *alleged* expectation that he would help facilitate payment of now prior board members' legal fees, with the first major agenda item after his hire described as being about legal-fee payment. That linkage is presented as an implied *quid pro quo* theory of hire/benefits leading to legal fee repayment, again described as suspicion/allegation rather than proven fact. The following paragraphs describe the events of contract changes, as verified by reviewing email correspondence, draft and final contracts, and board minutes:

The then Superintendent's employment agreement as being executed in late July 2023 and then repeatedly modified shortly after he started. Multiple interview accounts state the initial contract was drafted around July 26, 2023, signed July 31, 2023, and used a start date of August 14, 2023. There were three official versions of the superintendent contract (the original approved August 8, 2023, an October revision, and a December revision). There were also several draft versions of the contract during the negotiation process. Interviewees assert that not all amendments were clearly voted in public and that some board members "never saw" the final controlling version.

The term/end date of the then Superintendent's contract initially included a term as two years ending June 30, 2025, however the Board approved an amendment in the August 8, 2023 Board Meeting to extend the contract term date to June 30, 2026. (Note: one concern raised to us in our interviews was that evidence for the board approval on the term extension could not be found, however we noted the approval in the August 8, 2023 minutes, "Item 9. PUBLIC ACTION AS NEEDED REGARDING DISCUSSION HELD IN CLOSED EXECUTIVE SESSION," therefore that concern was found to not be substantiated). Within roughly 10 days of starting, the then Superintendent is described as requesting additional terms and benefits that he later characterized as items he 'should have asked to include' originally. Those requests were reportedly formalized in September 2023 and presented to the Board in October 24 executive session where the Board reviewed and accepted the requested changes.

The types of contract modifications included District payment of additional professional association fees and expenses for a national superintendent certification, expanded leave days, and district-paid travel to professional development/certification events (examples cited include San Diego, Phoenix, and New Orleans). In interviews, these revisions were characterized as adding extensive ‘perks’ and broad travel/leave latitude (in more extreme descriptions, ‘unlimited’ out-of-state travel and time away), though specific written limits are not consistently quoted.

There was a mid-year evaluation occurring near the end of the first semester (November/December 2023). Per interview accounts, the evaluation was positive and was followed by Board approval of a \$10,000 raise, with a request in January 2024 to generate an amendment reflecting the raise. Later, the then Superintendent is described as being placed on administrative leave in July 2024 (often specified as July 16, 2024), pending an investigation. He was placed on paid administrative leave through June 30, 2025, consistent with the initial contract-end interpretation.

We also noted investigations and disciplinary activity during this period, including multiple letters of reprimand, performance criticisms (e.g., indecision, insubordination, and disputed time/leave reporting), and disagreement about who had authority to engage investigators or counsel for the investigation (initiated by the Superintendent rather than a full Board vote which was inappropriate). These events are included as context, as they may have influenced leave status, termination/non-renewal discussions, and payout assumptions.

Timeline

Date / Period	Event
Spring 2023	Board selects/hire decision unanimous (5-0) vote to hire the then Superintendent.
Jul 26, 2023	Initial superintendent contract drafted/sent to the then Superintendent around this date.
Jul 31, 2023	Contract signed on July 31, 2023.

Aug 8, 2023	Board approved contract after discussing in closed session. Approved with amendment to extend term date to June 30, 2026. Passed 5/0.
Aug 14, 2023	Start date
Early Aug 2023	Within ~10 days after starting, the then Superintendent requests additional terms/benefits via email.
Sep 2023	The then Superintendent's formal contract modification requests submitted in September.
Oct 24, 2023	Board executive session reviewing and accepting contract modifications.
Oct 14, 2023	Transition-support addendum for predecessor Superintendent/Administrator ending Oct 14, 2023.
Nov-Dec 2023	Mid-cycle evaluation near end of first semester.
Dec 19, 2023	Board meeting date for evaluation/raise and possible extension approval.
Jan 2024	Board secretary requesting an updated/amended contract document to reflect the raise.
Jul 16, 2024	Special meeting - the then Superintendent was placed on administrative leave pending investigation.
Jul 2024-Jun 2025	The then Superintendent remained on paid administrative leave through June 30, 2025.
Jun 30, 2025	Expiration/completion date for contract payout and/or end of leave status.

Utilization of Investigators

Although it is important and certainly allowable for the Board and Administration to utilize investigators for sensitive and personnel matters, there were questions about the procurements and processes of the companies hired.

Investigator 1 was hired by Law Firm 1 at the direction of the Board of Education. Procurement was not performed to attain the company's services, but this was not required, as it is contractual and common practice for law firms to hire the experts they need to provide their counsel to the District. Investigator 1 was a former Superintendent at the District approximately four years prior. She had also referred the then Board President to Law Firm 1 Attorney B who now hired her for two investigations. She is currently an elected District Board of Education Member.

Thus, the hiring of Investigator 1 has been questioned on several levels. Should this former District Superintendent be investigating a new Superintendent in the same District? It did not concern the timeframe she was employed by the District. Was her hiring planned in advance of the re-hiring of Law Firm 1 or possibly a *quid pro quo* for the referral of District business? Our procedures did not provide direct evidence that these events were or were not the case. However, Law Firm 1 had already been serving the District for many years, had lost a bid, and per discussion with Investigator 1, there was no plan in advance or *quid pro quo* because the firm was simply continuing to serve the District under an allowed small purchase. The actual referral to Law Firm 1 Attorney B was in advance of the then Superintendent being placed on administrative leave. Additionally, the Governmental Conduct Act did not apply to the investigator at the time; however, we do recommend avoiding appearances of conflicts of interest.

Investigator 1 was paid \$43,210 with tax through Law Firm 1 (Invoice 46364 for \$21,685 on 10/31/2024; Invoice 49128 for \$21,525 on 12/31/2024) for the investigation and supplemental follow up on the then Superintendent who was on administrative leave. There were two reports delivered to the District. The District subsequently refused to release records relating to this investigation and was sued by the New Mexico Foundation for Open Government.¹⁹ The report and records were recently released on April 15, 2026. See **Finding 2026-011S** for District noncompliance of reporting to the NM State Auditor's Office the possible criminal violations found as a result of this investigation.

¹⁹<https://sourcnm.com/briefs/fog-sues-los-lunas-school-district/>, May 13, 2025.

Investigator 2 was hired also through Law Firm 1 Attorney B for an engagement at the direction of the then Acting Superintendent on safety and security. This company was paid \$12,427.50 (Invoice 54105 on 5/31/2025) and Law Firm 1 was paid \$3,652.36 (Invoice 1055 on 7/31/2025). There was one report delivered to the District.

Investigator 3 was hired at the direction of the then Superintendent through Law Firm 2 for an investigation on the then Board President. See **Finding 2026-011S**. This company appears to have been paid directly, not through the law firm, \$4,441.86 in 2024. There was one report delivered to the District.

Request for Reimbursement of Legal Fees

On May 21, 2021, the New Mexico Public Education Department (PED) then Cabinet Secretary suspended (not removed) the District's Board of Education. There is widespread misunderstanding of this process in the District. This action was taken after allegations that certain board members had violated ethical standards, procurement, and public access laws.²⁰ On May 29, 2021, the Cabinet Secretary announced that a former District Board of Education Member (who is currently on the Board) was designated to assume temporary governance of the District and called for nominations of others to join her.²¹ Minutes from September 28, 2021 show that four other Governing Committee members were appointed and were serving. **It was within PED's statutory power to suspend the Board (i.e. the Board of Finance) but not remove the Board Members.**^{22 23} This is why certain board members whose terms were not over were not placed on the ballot at election time – another topic of significant confusion along with allegations of wrongdoing

²⁰ NM Public Education Department suspends Los Lunas school board, <https://nmbizcoalition.org/wp-content/uploads/2021/05/Los-Lunas-School-Board-Suspended.pdf>, May 26, 2021.

²¹ Former Los Lunas School Board Member Takes Interim Role, <https://ladaily.com/former-los-lunas-school-board-member-assumes-interim-role/>, May 29, 2021.

²² Section 22-2-14 E. NMSA 1978, "The secretary may suspend a local school board, local superintendent or school principal when the local school board, local superintendent or school principal has been notified of disapproval and when the department has sufficient reason to believe that the educational process in the school district or public school has been severely impaired or halted as a result of deficiencies so severe as to warrant disapproved status before a public hearing can be held."

²³ Section 22-8-39 NMSA 1978, Boards of finance; suspension. NMAC 6.21.2.11 B., "...recommend **suspension of a local school board which has been designated as its own board of finance** from acting as a board of finance if the secretary of public education reasonably believes there is mismanagement, improper recording or improper reporting of public school funds under the local school board's control..."

by a Board member and the then Superintendent for 'not placing them on the ballot'.

Although the District was still operating financially fine and the education process was continuing, there were allegations of wrongdoing the PED had received. We are unaware of the details of the notice of disapproval and the public hearing but understand that the PED did not consult with the Public Education Commission as required and reinstated board members whose terms had not ended during the long process.²⁴

Two of the suspended board members sued relating to their suspension. They have also more recently sued the District for non-reimbursement of their legal fees. Law Firm 5 had proposed having the Board consider if the legal fees should be reimbursed or not using a 5-factor test from an AG Opinion.²⁵ Part of the test includes if the board members had been exonerated of the charges. The opinion makes it clear that reimbursement is not appropriate where the conduct was outside official duties or involved bad faith or wrongdoing. Conversely, it stands to reason that where there is no adjudication of wrongdoing, that factor weighs in favor of reimbursement. To our knowledge from interviews and review of records, there was no removal proceeding, no civil or criminal court adjudication of wrongdoing, no finding of malfeasance / misfeasance, and the Board Members never received due process. The temporary **suspension** action was administrative, not judicial. Removal and suspension proceedings are separate and distinct.²⁶

There are safeguards in state statute as to the removal of Board of Education Members since they are directly

²⁴ Section 22-2-14 C. NMSA 1978, "The secretary, after consultation with the commission, shall suspend from authority and responsibility a local school board, local superintendent or school principal that has had notice of disapproval and fails to comply with procedures of Subsection B of this section. The department shall act in lieu of the suspended local school board, local superintendent or school principal until the department removes the suspension."

²⁵ AG Opinion 07-03, "Accordingly, the 1985 advisory letter reviewed court decisions from other states and gleaned from them the following five criteria that were applied in cases upholding the use of public money for defending public employees against allegations of wrongdoing in the absence of a controlling statute: (1) the charges must arise from the discharge of an official duty in which the government has an interest; (2) the public employee must have been acting in good faith when the alleged wrongful conduct occurred; (3) the employing government entity must have express or implied legal authority to pay the employee's legal expenses; (4) the employee must be exonerated of the charges; and (5) the decision to pay the fees must be made by an impartial official or official body."

²⁶ Proceedings for removal and that for suspension are separate and distinct, and each requires its own citation as a basis for jurisdiction, although the latter is auxiliary to the former. State ex rel. Delgado v. Leahy, 1924-NMSC-077, 30 N.M. 221, 231 P. 197.

elected by The People.²⁷ Specifically, per Section 10-4-1, Local officers subject to removal, Any officer of a political subdivision of the state elected by the people and any officer appointed to fill out the unexpired term of any such officer may be removed from office on any of the grounds mentioned in and according to the provisions of Sections 10-4-1 through 10-4-29 NMSA 1978. Additionally, Section 10-4-2, Causes for removal of local officers, The following shall be causes for removal of any officer belonging to the class mentioned in the preceding section [10-4-1 NMSA 1978]: A. conviction of any felony or of any misdemeanor involving moral turpitude; B. failure, neglect or refusal to discharge the duties of the office, or failure, neglect or refusal to discharge any duty devolving upon the officer by virtue of his office; C. knowingly demanding or receiving illegal fees as such officer; D. failure to account for money coming into his hands as such officer; E. gross incompetency or gross negligence in discharging the duties of the office; F. any other act or acts, which in the opinion of the court or jury amount to corruption in office or gross immorality rendering the incumbent unfit to fill the office. Per Section 10-4-14, **“Upon a conviction the court must pronounce judgment that the defendant be removed from office;** and the judgment must be entered upon the minutes assigning therein the **causes of removal.**” (emphasis added).

There are also specific procedures for suspension from office including but not limited to Section 10-4-20, “If the accusation provided in this chapter, to be presented by the district attorney, is presented at a time when there is no jury in attendance or is presented to the court in vacation, the court, if it deems such action necessary, after ordering a citation to the defendant as provided in the next preceding section [10-4-19 NMSA 1978], may, on application of the district attorney, also order the defendant to appear at a time not less than five nor more than fifteen days after service of such order and at such place as may be mentioned in the order, to show cause why he should not be suspended from office until the matters and things alleged in the accusation have been judicially determined under the provisions of this chapter.”

Thus, there are many remedies utilizing due process and the independent judicial system as checks and balances on local legislators (board members) who are elected by The People. For example, Board members may also be recalled through a court process. Taxpayers can also bring Fraud Against Taxpayer Act lawsuit seeking resolutions. It appears that various direct legal remedies were not sought in the past and much of the culture in the District today has not completely healed from these matters, which largely remain

²⁷ Notwithstanding NM Const, art. XII, Section 6, Board lacks exclusive power to remove district board members. State board did not have exclusive power to remove member of district board of education. State ex rel. Hannah v. Armijo, 1933-NMSC-063, 37 N.M. 423, 24 P.2d 274.

unresolved.

As to the legal fees incurred by the Board Members who were suspended, a previous Board of Education rejected Law Firm 5's advice to use the five-factor test and this issue remains in litigation at the issuance of this report.

Allegations of Coercion, Bribery, and/or Quid Pro Quo

The District's investigations performed by Investigator 1 included allegations of coercion, bribery, and/or *quid pro quo* by certain previous Board Members who were suspended from the Board of Education. The allegations are that they offered positions and contracts to Superintendents who they thought could assist in getting their legal fees reimbursed. Investigator 1 has historical experience on the situations and states she has evidence of this alleged pattern of behavior, but despite providing the information to oversight and law enforcement agencies, has never been interviewed or asked about the information until this special audit.

The information has been provided to the NM Attorney General (NMDOJ) and the US Federal Bureau of Investigations (FBI). However, the District refused to provide the information to OSA even after advisement to do so to be in compliance with state law and regulation. See **Finding 2026-011S**. This is now remedied as of the issuance of this report. **These issues are not within our scope of work but are *root cause issues* from which the truth should be known so the District can heal and move forward. We recommend follow-up and oversight accountability until these issues are thoroughly examined and concluded upon.**

Common Interest Agreement (CIA)

Investigator 1 discovered in legal bills a reference to an agreement that the current Superintendent and Board Members were unaware of. Upon further research, this turned out to be a common interest agreement between the District and a then Interim Superintendent (during 2023-2024) and her legal counsel (paid for through NMPSIA) to allow sharing of attorney client privileged information. This agreement was executed by Law Firm 5 in communication and permission from only the then Board President. The attorney stated they had discussed the related circumstances with one other Board Member and did not bring to the full Board in executive session and for vote/approval to execute this since there was possible litigation and two

Board Members involved in the situation were conflicted. The Board had not designated the one Board Member to discuss or execute the CIA, a binding legal agreement. We do note that the Board President is the legal liaison for the Board by policy and by that same policy, any legal advice to the President or Superintendent being shared or not is at the discretion of legal counsel. Any release or sharing of attorney client privileged information should be a Board decision. If certain members were conflicted, they would have needed to recuse themselves from the discussion and vote. See **Finding 2026-004S**.

Since the communications were privileged under this agreement and related to allegations surrounding this engagement the Board voted to allow Law Firm 5 to discuss with us. The conversation was insightful, but not all information was provided since the attorney of Law Firm 6 for the then Interim Superintendent could not be located for potential approval to share the privileged information with us. Since the matters were not within the scope of the special audit but relate to the investigation and the CIA is a key part of allegations, including within possibly two lawsuits against the District, we recommend further oversight and follow through on these communications and release of information.

Allegations of Wasteful Spending

During our interviews, for risk assessment purposes and in accordance with the scope of work, we inquired about potential fraud, waste, or abuse of public funds. The two concerns expressed related to 1) a strategic planning consultant of either \$150,000 or \$120,000 (both were reported) and 2) convocation or other speaker fees of either over \$60,000 or \$12,500 (both were reported).

The consulting firm was procured through CES, initiated by the then Superintendent. The purpose of the work was reportedly to mentor and train him since he was new and had never served in a Central Office or as Superintendent in the past. The contract was strongly connected to strategic planning, a Board of Education function. One Board Member reported they had 15 minute slots to meet with the contractor and the District never received a final deliverable or strategic plan. Another board member confirmed they never received the strategic plan and the work seemed to just be dropped after that Superintendent was terminated in 2024. The current Superintendent stated interactions were limited with Administrators and Finance reported the company did not collaborate with them on financial projections or budget matters. Testing indicates that the District paid approximately \$69,000 of the \$120,000 contract. There is not direct evidence to indicate whether or not this was wasteful spending, as most interactions were with the then

Superintendent who is no longer with the District.

The speaker fees found in testing were \$9,500; however, there could be other expenditures since vendor names were not known. Speakers can be found for much less cost and we recommend the Board of Education consider a policy for these types of expenditures to limit waste of taxpayer funds. See **Finding 2026-007S**.

Allegations of Related Party Transactions

There were concerns in interviews about the former Board President discussing services with a former company she worked for. The former President did this in an open board meeting and disclosed her relationship with the vendor. The discussion related to utilizing a tool provided to the District through PED for student achievement. She no longer worked for the company and reports she had no financial gain or incentive, she was sharing the possibilities of utilizing the tools better for students. Familiarity with a company or tool with no financial gain, and full disclosure of any potential conflict of interest, alleviates any violation of the NM Governmental Conduct Act.

Within the anonymous employee survey we performed during the special audit, there were other concerns raised about special education, communication, favoritism, etc. that did not directly relate to procurement or financial matters. We will pass along these concerns in anonymous form to the Administration for follow up and to ensure proper communications and internal controls are in place to prevent future concerns, as they are outside the scope of the special audit.

Anonymous Employee Survey

As part of our procedures, JAG independently administered and analyzed a confidential survey of District personnel. The results of this survey are presented in the accompanying **Exhibit 2**. Review of the survey responses indicates that reported awareness of specific issues, including procurement or purchasing violations, conflicts of interest, time or leave concerns, and other areas of noncompliance, was generally low based on quantitative responses. However, analysis of the narrative responses indicates that affirmative responses include a range of statements, including direct observations, general perceptions, hearsay, and responses lacking sufficient detail to substantiate specific conditions.

Based on our review, the survey responses, in isolation, do not establish verified instances of noncompliance, fraud, or policy violations. However, the responses provide insight into areas of perceived concern among employees. Recurring themes identified in the narrative responses include concerns related to procurement processes, clarity of roles and responsibilities, accountability, consistency in the application of policies, and organizational culture. Responses also reflect varying levels of comfort with reporting concerns.

The survey results should be considered in the context of the limitations noted above and as an indicator of perceived risk rather than conclusive evidence of specific findings.

D. TIME AND LEAVE TESTING

Scope of work

- Review, analyze, and report on documents including but not limited to payroll records, emails, video archives, and absence logs for three employees and any District risks identified during the procedures.

Overview

During the initial stages of our investigation into the initial Scope of Work for the special audit, we were informed of concerns of fraud related to time and leave for three individuals, which resulted in a contract amendment to expand the scope (listed above) to include testing over those individuals. The specific concerns are detailed below.

Former Deputy Superintendent of Human Resources, Athletics, Transportation, and Safety/Security. The main concern brought to our attention was the use of paid sick leave and other leave types to attend legislative sessions. During the audit period, he was said to have taken a considerable amount of such leave, before leaving the District on June 30, 2025. Per our discussions with District employees, and per our independent review, the use of sick leave for the purpose of attending the legislature was determined to be unallowable per District policy. An attempt was made by District personnel to lobby the District Board to change policy to allow for this, and the attempt failed. After the attempt failed, he subsequently stopped using sick leave, and instead utilized vacation leave, and then Family Medical Leave Act (FMLA) leave until the end of his employment at the District. However, we noted exceptions in the detailed testing as shown below.

Former Director of Athletics. Our testing was intended to address concerns that this individual was performing personal activities during work hours, for which no leave was recorded as used. Due to the nature of the job, it was necessary for him to constantly travel between school sites and to games, making accountability over his whereabouts more difficult. It was reported that his assigned school vehicle was equipped with a GPS system, but that system was found to be broken when a board member questioned accountability for his work hours. During the audit period, we noted in our interviews that the individual was simultaneously employed as a collegiate Division I basketball referee official for the NCAA since 2011, which required regular travel out of state. We obtained data from a sports data analytics website, which aggregates data from public box scores and official NCAA league records, filtered for out-of-state games for which he was listed as a referee during the audit period, and then compared those to the District's leave records. Exceptions from the detailed testing are shown below.

Former Superintendent. There were certain complaints about the former Superintendent conducting certain personal activities during work hours during his tenure, between August 14, 2023 and July 17, 2024 when he was placed on administrative leave. These complaints were based on a review of his personal calendar obtained during a District investigation. Some of the noted activities of concern included: teaching university classes, recurring superintendent "mentor" meetings (said to be off-site), professional travel for AASA training (said to be "unauthorized"), and various unspecified appointments or calendar items marked "personal."

Procedure Results

We conducted tailored testing for each individual, to address certain specific concerns, as described below:

Former Deputy Superintendent of Human Resources, Athletics, Transportation, and Safety/Security. We reviewed leave days taken over the Period, and summarized below. Between July 1, 2023 and June 30, 2025, we noted the following quantitative facts:

Overall paid leave usage:

- 269 of 425 working days were recorded as paid leave (63.3%).

Breakdown of 269 paid leave days:

- 126 sick days

- 72 FMLA days
- 67 vacation days
- 4 personal days

We compared the leave days taken to days that the legislature was in session. Overlap with legislative session:

- House of Representatives was in session 93 days during the Period.

On 55 of those 93 session days, he used paid leave:

- 19 sick days
- 19 FMLA days
- 17 vacation days

For days in which leave was taken, we compared these days to official roll call votes recorded, as evidence of attendance.

Roll call comparison (presence vs. paid status)

- Roll calls were recorded by the NM House of Representatives on 65 days during the period.

Of these 65 roll call days:

- He recorded “absent” votes on only 2 days
- He was in attendance for at least one vote on the remaining 63 days

For those 63 days with at least one vote, the pay/leave coding was:

- 13 sick leave days
- 19 FMLA days
- 13 vacation days
- 12 weekend/other non-contract workdays
- 6 days regular pay (no leave used)

We had the following observation about post-payroll reclassifications:

- 9 vacation days were backdated after payroll to change their leave type from sick leave.

Strict exceptions identified from the above (See **Finding 2026-003S**):

- 13 sick leave days concurrent with roll call attendance; and
- 6 days with roll call attendance where regular pay was received and no leave was recorded.

District policy does not allow sick leave to be applied to time spent at the legislature; therefore, sick leave should be used only for allowable sick leave purposes and not substituted for legislative attendance. The impact of the above exceptions is that the former employee may have been overpaid \$11,365.82.

FMLA leave administration must align with statutory purpose and documentation standards. The FMLA regulatory definition of a serious health condition involves *incapacity, defined as an inability to work or perform other regular daily activities* due to the condition/treatment/recovery. We reviewed his FMLA documentation to ensure it had (1) proper approvals, (2) that dates matched records, and (3) compliance with allowable medical condition and healthcare provider attestation. While our review of documentation noted that all FMLA eligibility criteria was met, participation in legislative session activities, at least to the extent required to be present for roll call voting, may be in conflict with an asserted inability to perform work, depending on the nature of the medical certification and whether restrictions existed that would prevent performing District duties but not legislative duties. This does not, by itself, disprove eligibility, but it warrants heightened review of certifications, restrictions, and intermittent leave scheduling and documentation.

The 2024 Collective Bargaining Agreement for Certified Staff states that “Legislative leave shall be granted for an employee to serve on the state legislature and appropriate committee assignments. Such leave shall be charged to *leave without pay*.”

Lastly, we note that the magnitude of leave itself presents some risks to the organization, which has not been fully addressed by current District leave policy.

Former Director of Athletics. We obtained data from a sports data analytics website, which aggregates data from public box scores and official NCAA league records, filtered for out-of-state games for which he was listed as a referee, and then compared those to the District’s leave records.

Our testing revealed 12 out-of-state games for which he was listed as referee, and for which no leave was recorded that day. We calculated the travel time necessary between the District and game location, and determined that a full workday could not have occurred. He was paid a total of \$22,921 in officiating fees for these 12 games, per the dataset.

The impact of the above exception is that the employee may have been overpaid up to \$5,854.08 during the audit period. The total amount may be greater if the same condition was found to have occurred going back to 2011 when he is said to have begun refereeing for the NCAA. See **Finding 2026-003S**.

Former Superintendent. We reviewed his District emails and calendars in an attempt to substantiate the specific concerns and also conducted searches for public data regarding the university classes. Ultimately, we found it difficult to substantiate the concerns with any concrete evidence. The time and date of university classes could not be found publicly. The mentor meetings and potentially unauthorized travel still appear to constitute District business, even if there are potential procedural concerns or concerns about accountability.

Testing of Payroll Records and Absence Logs

We conducted comparisons between leave records and payroll records. Administrative personnel do not record full timesheets, rather they record leave on an “exception” basis, meaning that they record only leave taken. These leave records are approved by an assigned supervisor, who would be familiar with their attendance. These records are then utilized during each pay run, and leave is recorded on individual pay stubs. The accrual, usage, and adjustment of leave, by leave type, is stored electronically in the system.

We obtained these leave records for the three individuals, and for one “control” administrative employee, and vouched all payroll register data from pay stubs back to properly approved leave records. We tested that leave data rolled forward properly and tied to previously audited payroll records, without exception. We noted only one exception during this testing, where approved leave did not tie to pay register amounts by 0.5 hours. See **Finding 2026-003S**.

For FMLA leave noted, we tested that the leave had proper approvals, that dates approved matched records, and that the leave was allowable by federal law (had proper medical purpose and health provider certification). However, it did not appear the employee was unable to work or incapacitated.

Testing of Emails

We obtained full datasets of email records during the audit period for the three individuals, and for one “control” administrative employee, and performed analyses of those records. Those analyses included general filters for key words that might indicate the performance of personal activities, and filters meant to

address specified risk for those individuals. Flagged items were inspected more closely. We also performed filters for any email or calendar items that indicated leave was taken and compared back to leave records for those days. The results of these tests did not yield any exceptions that result in a finding.

We also performed analysis for each individual on days which contained “sent” or “read” items and compared the days with zero sent or read back to leave data. We performed a Poisson Distribution analysis²⁸ to compare the likelihood of any “zero” days were coincidental. We noted only one such day, for the former Superintendent, which we did not determine to be sufficient evidence to substantiate a finding.

Testing of video archives

We requested any available evidence of video logs or door access logs and determined that archives did not extend back into the Period.

E. OTHER MISCELLANEOUS ITEMS ADDRESSED

Potential Improper Disposal of Assets

During our interviews, it was noted that a golf cart was discovered with Los Lunas Schools markings and tags, at a school site within another district. This school site was the site where the former superintendent was principal. We researched the asset disposal records for the golf cart and noted that it underwent proper disposal approval as a “donation” to the other District. We were unable to obtain any evidence as to timing for when the cart was discovered, in order to determine if the disposal approvals occurred before or after the donation, therefore no exception is noted in our testing.

PED licensure

During our interviews, a concern was noted to us that the wife of a former administrator (then-current) had been working in the District in a position without the proper PED licensure and endorsements for that

²⁸ The Poisson distribution is a statistical model used to estimate the probability of a given number of events occurring within a fixed interval of time or space, assuming those events occur independently and at a constant average rate. It is commonly used to assess the likelihood of rare or infrequent events, including the probability of observing zero occurrences within a defined period.

position since 2015. We were able to corroborate this concern by reviewing Professional Development Plans discussing the lack of licensure. The husband was in a position overseeing the department that monitored compliance with licensure requirements, so there is an allegation that this was the result of intentional management override of control. See **Finding 2026-006S**.

CORRECTIVE ACTIONS TO DATE

The District took corrective actions since the start of the special audit including, but not limited to:

- ✓ The District hired the third-party independent accountant after designated by the Office of the State Auditor, to aid in investigating potential financial and compliance irregularities, and to identify needed improvements.
- ✓ The District submitted the required “12-6-6 letter” notifying the Office of the State Auditor of all potential financial-related criminal violations that it was aware of.
- ✓ The District has since updated certain board policies and financial procedures to reflect its current practices. These include updates to procedures surrounding approvals of small purchases and for contracts.
- ✓ The District has stopped paying for ineligible licensure stipends.

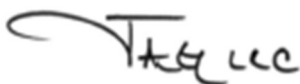
CONCLUSION

We were not engaged to, and did not conduct an audit examination, the objective of which would be the expression of an opinion on the accounting records of the District under attestation standards. Accordingly, we provide no opinion, attestation, or other form of assurance with respect to our work or the information upon which our work is based. The procedures performed do not constitute an examination in accordance with generally accepted auditing or attestation standards. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We reserve the right to amend or supplement our findings should additional relevant information become available. This engagement does not warrant the accuracy, completeness, or timeliness of information obtained from third-party sources beyond our control, and we accept no liability for any loss or harm resulting from reliance on such information.

This report is intended solely for the information of the parties specified above, District management, and parties identified by the District's management and their designated legal counsel, and law enforcement agencies. This report should not be relied upon by any other party. JAG accepts no responsibility to any other party to whom this report may be shown or who may otherwise gain access to this report.

We appreciate the opportunity to assist you in your assessment of these activities. JAG would like to sincerely thank the District's Board, Audit Committee, Administrators, and other employees for their support in assisting us with our procedures.



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico

LOS LUNAS SCHOOLS SPECIAL AUDIT CONSULTING PROCEDURES EXIT CONFERENCE

The contents of this report were discussed on April 27, 2026, in a closed Audit Committee meeting. The following individuals were in attendance:

District Board of Education

Frank Otero, Board President
P. David Vickers, Board Vice President
Sonya C'Moya, Board Secretary
Dana Sanders, Board Member, Finance Committee Chair
Michelle Osowski, Ph.D., Board Member, Audit Committee Chair

District Audit Committee Members

David Gardner, Community Member
Henry Lopez, Community Member

District Administration

Susan D. Chavez, Superintendent
Andrew Saiz, Assistant Superintendent
Katherine House, Assistant Superintendent
Sandra Traczyk, Chief Financial Officer
Miranda Baca, Director of Finance
Carlos Castillo, Business Supervisor

New Mexico Office of the State Auditor

Shawn Beck, CFE, CGFM, Special Investigations Division (SID) Director

Jaramillo Accounting Group LLC (JAG)

Audrey J. Jaramillo, JM, CPA, CFE, CFA, Managing Partner
Justin Mehnert, CPA, Audit Manager

Finding #	Finding Description
2026-001S	LEGAL SERVICES
2026-002S	PURCHASES
2026-003S	TIME AND LEAVE
2026-004S	OPEN MEETINGS ACT
2026-005S	INTERNAL AUDIT FUNCTION
2026-006S	PED LICENSURE REQUIREMENTS
2026-007S	POLICY RECOMMENDATIONS
2026-008S	ADMINISTRATOR EVALUATIONS
2026-009S	ELECTRONIC SIGNATURES
2026-010S	OPPORTUNITY TO STRENGTHEN AUDIT AND FINANCE COMMITTEES
2026-011S	NMSA 1978 SECTION 12-6-6 POTENTIAL FRAUD, WASTE, OR ABUSE NOTIFICATIONS TO NM OFFICE OF THE STATE AUDITOR

2026-001S	LEGAL SERVICES
Condition	<p>The District did not consistently ensure that procurement and approval requirements for legal services were completed prior to the commencement of services and related billing. In addition, procurement actions did not consistently follow established approval workflows and Board governance requirements.</p> <ul style="list-style-type: none"> • Performance and billing of legal services of \$4,966.91 prior to issuance of a valid purchase order • Execution of these new project legal services without an approved professional services agreement contract in place at service commencement • Backdating of the contract to retroactively authorize services already performed • Approval of the contract and purchase order outside delegated authority and in contradiction to Board policy and prior Board action • Bypassing the required procurement workflow, including failure to route approvals through the Chief Procurement Officer (CPO) and central purchasing office • Board approval requirements do not include significant purchase order amendments, which may be considered as a policy change
Criteria	<p>The criteria below are relevant because they establish requirements for procurement authority and documentation, prohibit structuring and control bypasses that weaken purchasing oversight, and require that procurement actions be properly authorized and supported before obligations are incurred.</p> <p>Section 13-1-97(C) NMSA 1978 Procurement Code states that “All procurement for local public bodies shall be performed by a central purchasing office designated by the governing authority of the local public body except as otherwise provided in the Procurement Code. Local public bodies shall identify their designated central purchasing office to the state purchasing agent and shall report their chief procurement officers to the state purchasing agent.”</p> <p>Section 13-1-95.2(E) NMSA 1978 Procurement Code states that: “On and after July 1, 2015, only certified chief procurement officers may do the following, except that persons using procurement cards may continue to issue purchase orders and authorize small purchases: (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code; (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and (3) approve procurement pursuant to the Procurement Code.”</p> <p>These criteria were infringed as the sequence includes billing and alleged service activity before a PO was issued, a PO approval path that bypassed normal procurement review by the CPO.</p> <p>Board policy B-1250 states that “Board attorneys are retained by the Board as counsel for the Board to provide legal service on any matter related to the operation of the District.”</p>

Cause	<p>These events were the result of disagreement between the then District Superintendent and the Board members wanting independent and new counsel, coupled with misunderstandings or lack of knowledge regarding the policies and roles of the Superintendent and Board. Additionally, procurement was attempting to protect the integrity of the recent RFP process (#2019-006-HR) and the associated awarded contracts, to prevent potential protests. Decisions were made by many parties based upon incomplete information regarding the applicable requirements.</p> <p>Prior POs for “ongoing services” for open cases on expired legal services contracts were closed in the year-end close process. They were not reopened since they were not intended for new projects.</p>
Effect	<p>These conditions increase the risk of unauthorized commitments, weakened procurement oversight, confusion, incomplete audit trails supporting public expenditures, and increased exposure to disputes or scrutiny regarding whether approvals and controls were properly applied as cumulative value increased.</p>
Recommendation	<p>The District should clarify and ensure consistent application of procurement and governance requirements by aligning expectations across the Board, Superintendent, and procurement and finance functions. This includes reinforcing that Board actions and policies governing the engagement of legal counsel are adhered to, including required Board approval of legal firms prior to the initiation of services.</p> <p>The District should also ensure that services do not begin and invoices are not processed until a valid purchase order and executed agreement are in place, and that all applicable requirements are considered and applied consistently across all parties, including Board policy and actions, the Superintendent’s delegated authority, procurement approval requirements, and operational considerations such as urgency. Establishing a clearly defined and documented exception process for urgent situations would further support consistent implementation.</p> <p>In addition, the District may consider updating policy and procedures to extend existing approval thresholds for contract amendments to include significant purchase order amendments, to support effective oversight of cumulative expenditures.</p>
Management Response	<p>Corrective Action: The District will conduct annual training for all Board of Education members on purchasing and contracting procedures. These trainings will cover the importance and purpose of purchase orders, emphasizing that services should not be engaged or supplies ordered without an approved purchase order. Board members will also be reminded to communicate directly with the District rather than vendors, to ensure that no assumptions are made about purchase orders being in place.</p> <p>Additionally, whenever new board members join between annual trainings, a special training will be conducted to provide them with this guidance.</p>
	<p>Due Dates of Completion: May 4, 2026</p>
	<p>Responsible Party: Chief Finance Officer</p>

2026-002S	PURCHASES
Condition	<p>The District did not follow internal procedure for small purchases as follows:</p> <ul style="list-style-type: none"> • Board approval for contracts over \$40,000 for professional services and \$20,000 for general services were required. Approvals were primarily obtained for contracts over \$60,000 during the audit period. The procedure manual was changed in May 2025 to align with that practice. Specifically, during our testing of non-legal procurement and purchase orders, we tested 129 purchase orders, of which 59 were over \$40,000 noted the following exceptions: <ul style="list-style-type: none"> ○ 2 purchases over \$60,000 did not have required board approval ○ 24 purchases between \$40,000-\$60,000 did not have required board approval • Obtain and document required price quotations for small purchases in excess of \$7,500 in accordance with District procedures. • During our testing of non-legal invoices, we noted one exception where we were not able to determine the date received through receiving or other documentation.
Criteria	<p>Professional services small-purchase procedures encourage contacting multiple businesses and require negotiation of a fair and reasonable price (1.4.1.52 NMAC (B)–(C)).</p> <p>The Los Lunas School District Business Office Procedure Manual, updated September 2023, states that “All contracts for general services in excess of \$20,000.00 must be approved by the School Board. All contracts for professional services in excess of \$40,000.00 must be approved by the School Board.” The Manual was updated in May of 2025 to change both thresholds to \$60,000.</p> <p>Procedure requirements also state, “<i>Purchases between \$0- \$7,500.00.</i> Purchases for services, construction, or items of tangible personal property with a value not exceeding \$7,500.00 shall be made at the best obtainable price by soliciting and documenting quotations. These must be documented as attachments in Total Contract Manager on iVisions ERP system. This must be submitted with your requisition. <i>Purchases between \$7,500.00 - \$20,000.00.</i> Pursuant to LLS Board Policy 3.15(Exhibit D), purchases for services, construction, or items of tangible personal property with a value in excess of \$7,500.00, but not exceeding \$20,000.00 shall be made at the best obtainable price by the submission of three written quotations to the Central Purchasing Office or by quotes received from contracts/price agreements such as General Services Department Agreement (GSA), State of New Mexico Price Agreement, a Cooperative Purchasing Agreement, or Albuquerque Public Schools Price Agreement as allowed by the governing statutes, policies or procedures.”</p>
Cause	<p>District personnel, the Finance Committee, and the Board were not recalling or aware that the procedure manual still required quotes and board approvals under the \$60,000 threshold. The District not checking to ensure that the receiving contained adequate documentation needed was the result of a minor oversight during the approval process.</p>

Effect	Controls over small purchases are intended to maintain control overspending, and any control deficiencies or abuse of thresholds may lead to increased spending. The District could possibly make payments on invoices where goods and/or services may not have been received.
Recommendation	The District should update its procedure manual or implement internal controls to ensure compliance with obtaining quotes for small purchases. Additionally, we recommend the District maintain a contract tracker log with details which is presented to the Finance Committee for oversight and review monthly.
Management Response	<p>Corrective Action: After the Special audit is released the District will update the Business Office procedure manual implementing the new changes due to Special audit findings and recommendations. These changes might depend on what suggestions are made to the Finance and/or Audit committees and Board meeting decisions. Additionally, the District will maintain a contract tracker log and present its current state at each Finance Committee meeting which is held monthly.</p> <p>Due Dates of Completion: June 30, 2026 or at the very latest 60 days after the Special audit is released.</p>
	Responsible Party: Chief Finance Officer/Director of Purchasing

2026-003S	TIME AND LEAVE
<p>Condition</p>	<p>In our testing of risks related to time and leave for individuals specified in our scope of work, we noted concerns related to two of the three individuals specified in the special audit scope. A fourth individual was added to our testing and did not have exceptions.</p> <p>Employee 1. We noted the following exceptions during testing:</p> <ul style="list-style-type: none"> (1) 13 sick leave days were used while in attendance at the legislature; (2) 6 days with legislative roll call attendance where regular pay was received and no leave was recorded; (3) A 0.5 hour discrepancy was noted between time and leave records and in what was recorded in the payroll register. <p>The impact of the above exceptions is that the employee may have been overpaid \$11,365.82.</p> <p>Additionally, while our review of documentation noted that all FMLA eligibility criteria was met, participation in legislative session activities, at least to the extent required to be present for roll call voting, may be in conflict with an asserted inability to perform work, depending on the nature of the medical certification and whether restrictions existed that would prevent performing District duties but not legislative duties. This does not, by itself, disprove eligibility, but it warrants heightened review of certifications, restrictions, and intermittent leave scheduling and documentation.</p> <p>Lastly, the magnitude of leave taken itself as shown more fully in the report presents some risks to the organization, which are not fully addressed by current District leave policy.</p> <p>Employee 2. Our testing revealed 12 out-of-state games for which the employee was listed as referee, and for which no leave was recorded that day. We calculated the travel time necessary between the District and game location, and determined that a full workday could not have occurred. He was paid a total of \$22,921 in officiating fees for these 12 games, per the dataset.</p> <p>The impact of the above exception is that the employee may have been overpaid up to \$5,854.08 if those full days were missed during the audit period. The total amount may be greater, if the same condition was found to have occurred going back to 2011 when he is said to have begun refereeing for the NCAA.</p> <p>Employee 3. An employee was performing outside work on District assets and during office hours. The District does not have a policy or contractual provisions on Administrator’s time tracking and accountability when "working from home" or when out of the office to ensure taxpayers are paying for time actually worked. It appeared from other findings, interviews, and testing that the employee was not completing District duties as the job demanded.</p>
<p>Criteria</p>	<p><u>NMSA 1978 Section 30-23-2</u>. Paying or receiving public money for services not rendered consists of: knowingly making or receiving payment or causing payment to be made</p>

from public funds where such payment purports to be for wages, salary or remuneration for personal [services] which have not in fact been rendered. Nothing in this section shall be construed to prevent the payment of public funds where such payments are intended to cover lawful remuneration to public officers or public employees for vacation periods or absences from employment because of sickness, or for other lawfully authorized purposes. Whoever commits paying or receiving public money for services not rendered is guilty of a fourth-degree felony.

Under COSO’s Internal Control—Integrated Framework, management should maintain internal controls that provide reasonable assurance over operational, reporting, and compliance objectives—including accurate timekeeping and leave reporting to safeguard public resources. Accordingly, the District should have control activities (policies/procedures, approvals, and documentation) to address risks associated with outside employment and travel, ensure relevant and reliable time/leave data is captured and communicated, and monitor timekeeping exceptions for timely correction and remediation.

District policy does not allow sick leave to be applied to time spent at the legislature; therefore, sick leave should be used only for allowable sick leave purposes and not substituted for legislative attendance. The 2024 Collective Bargaining Agreement for Certified Staff states that “Legislative leave shall be granted for an employee to serve on the state legislature and appropriate committee assignments. Such leave shall be charged to *leave without pay*.”

FMLA leave administration must align with statutory purpose and documentation standards. The FMLA regulatory definition of a serious health condition involves incapacity, defined as an inability to work or perform other regular daily activities due to the condition/treatment/recovery.

Cause Insufficient policy enforcement and supervisory oversight for legislative attendance days in the past. Controls did not consistently ensure that pay status and leave type aligned with District policy restrictions when legislative attendance occurred. The District declined to implement a legislative leave policy.

Insufficient oversight of outside employment and related scheduling conflicts. The District may not have had an effective process to (a) require timely disclosure/approval of outside employment involving travel, and/or (b) monitor whether outside engagements overlapped with contract work time.

Effect Sick leave used for a non-qualifying purpose. Where District policy prohibits using sick leave for legislative service, the 13 days of sick leave concurrent with confirmed roll call participation represent apparent noncompliance with leave-use restrictions. Paid leave is a public resource. Using a restricted leave category for non-qualifying activities elevates risk of:

- improper expenditure of public funds,
- unequal policy enforcement,

- and reputational harm.

Days paid without leave while legislative attendance occurred. The 6 roll call days with regular pay and no leave recorded create a timekeeping concern: if these were scheduled District workdays, the District may have paid for time not worked or not properly accounted for.

A. Financial and stewardship impact

Paid leave constitutes compensation; misclassified leave (e.g., sick leave used when not allowable) can translate into improper payroll costs and potential recovery/repayment issues under District rules and labor agreements.

B. Compliance and legal risk

Weak controls over leave coding may cause the District to face risk of grievances/appeals from other employees, audit findings for payroll/timekeeping controls, and elevated scrutiny around leave administration and documentation practices.

C. Operational risk

With 63.3% of workdays recorded as paid leave across two fiscal years, continuity of leadership and timely execution of assigned duties may be impaired, increasing reliance on delegated coverage and the likelihood of delayed HR/operational deliverables. Alternatively, it may be a position the District does not need, which would create concerns of wasteful spending of taxpayer funds.

D. Governance, reputational, and equity impacts.

Perceived tolerance of personal/outside work during scheduled public service hours can harm public trust and internal morale, and it weakens “tone at the top” regarding stewardship of public resources and ethical conduct.

Recommendation We recommend the District strengthen outside employment disclosures and approvals:

- Require annual and event-based disclosure of outside employment for administrators, including expected travel and time commitments.
- Implement a formal approval process that evaluates conflict-of-commitment, schedule interference, and reputational risk.
- Ensure written policies clearly define the permissible extent of outside professional activity.
- The option exists to allow legislative leave without pay.
- Deny activities which could impact the District operationally, educationally, and/or the efficient use of taxpayer funds.

We also recommend the District establish written documentation requirements for alternative schedules, flexible scheduling, or adjusted workdays (if allowed), especially when travel is involved. For Central Administrative Office staff, we recommend considering the use of time tracking software.

**Management
Response**

Corrective Action: Los Lunas Schools acknowledges the findings related to time and leave reporting and recognized the need to strengthen oversight, internal controls, and policy clarity. The District takes these matters seriously and is committed to ensuring accurate timekeeping and appropriate use of leave. It is important to note that one of the employee's stated the leave in question was allowed and approved by the three former Superintendents or Interim Superintendent. The leave was not approved by the current Superintendent except for FMLA leave.

The District acknowledges the discrepancies identified in both cases, including leave usage that did not align with policy and insufficient oversight of outside employment and scheduling conflicts. The District has already initiated corrective actions to address these concerns. During the 2024-2025 school year, the supervisors of the two employees required the employees to enter leave accordingly. The two supervisors routinely checked leave reports for all employees they supervised to ensure accuracy. This has continued during the 2025-2026 school year.

- **Policy Updates:** Clarify and reinforce expectations for leave usage, time reporting, and outside employment, including administrative staff.
- **Improved Controls:** Require consistent supervisory review and reconciliation of time and leave records.
- **Outside Employment Oversight:** Implement required disclosure and approval processes to prevent conflicts with contracted work time.
- **Training:** Provide guidance to staff and administrators on proper timekeeping and leave procedures.
- **Review of Exceptions:** Evaluate identified instances for potential payroll adjustments or recovery, as appropriate.
- **Ongoing Monitoring:** Increase periodic internal reviews to ensure compliance.

The District is committed to addressing these concerns, strengthening internal controls, and ensuring compliance with applicable policies and regulations.

Due Dates of Completion: Fully implemented by June 30, 2025 with ongoing annual monitoring.

Responsible Party: Superintendent

2026-004S	OPEN MEETINGS ACT COMPLIANCE
Condition	<p>We identified noncompliance with the Open Meetings Act:</p> <ul style="list-style-type: none"> • Board members discussed District business and developed decisions regarding legal services outside a properly noticed public meeting, in violation of the Open Meetings Act (OMA) • Informal discussions among Board members, including matters related to selection and contracting for legal services, created a “rolling quorum” and resulted in deliberation of public business outside an open meeting • The Department of Justice, Government Counsel and Accountability Division, issued a determination that an Open Meetings Act violation occurred • Failure to ensure all participants in a public meeting could hear each other, as required by the Open Meetings Act, during the June 18, 2024 meeting
Criteria	<p>The Open Meetings Act requires that the formation of public policy and the conduct of business by vote not be conducted in a closed meeting and that meetings of a quorum held to discuss public business or take action are public meetings unless an exception applies. These requirements are relevant because the Condition describes alleged communications and polling outside a properly noticed meeting and a subsequent official determination directing corrective action.</p> <p>Open Meetings Act public policy and meeting requirement: “The formation of public policy or the conduct of business by vote shall not be conducted in closed meeting. All meetings of any public body... shall be public meetings...” (Section 10-15-1(A) NMSA 1978).</p> <p>Quorum meetings discussing public business: meetings of a quorum held to formulate public policy, discuss public business, or take action are public meetings, and a meeting may not be “closed or dissolved into small groups... for the purpose of permitting the closing of the meeting” (Section 10-15-1(B) NMSA 1978).</p> <p>OMA compliance guidance discusses rolling quorums and notice/agenda requirements (New Mexico DOJ/AG Open Meetings Act Compliance Guide, 8th ed.). These criteria are violated when Board members engage in serial communications or polling that collectively involves a quorum and results in discussion of public business or consensus-building outside a properly noticed meeting, or when corrective actions are required to remediate such conduct.</p> <p>The New Mexico Open Meeting Act Compliance Guide 2015, states that ““All meetings ... shall be public meetings, and all persons desiring shall be permitted to attend and listen to the deliberations and proceedings.” Section 10-15-1(A) NMSA 1978. When members participate by conference phone/communications equipment, the Act gets very explicit: “...provided that ... all participants are able to hear each other at the same time and members of the public attending the meeting are able to hear any member of the public body who speaks during the meeting.” Section 10-15-1(C) NMSA 1978.</p>

Cause	The condition appears associated with inconsistent understanding of rolling-quorum risk. There were several new Board members and a new Superintendent.
Effect	Noncompliance with the Open Meetings Act increases the risk that Board actions could be challenged, can require corrective statements or remedial actions, and may reduce public confidence in governance transparency.
Recommendation	We recommend the District provide annual OMA training for the Board and key staff, including practical scenarios on rolling quorums, polling, and executive session procedures. We recommend maintaining attendance records and requiring new members to complete training within a defined timeframe.
Management Response	<p>Corrective Action: The District acknowledges the finding regarding noncompliance with the New Mexico Open Meetings Act (OMA) related to quorum discussions, rolling quorums, and public accessibility during meetings.</p> <p>The District has already initiated corrective actions to address these concerns. Board members and executive leadership have been reminded of OMA requirements, including prohibitions on rolling quorums and the necessity of conducting public business only in properly noticed public meetings. Guidance has also been reinforced regarding ensuring that all participants in virtual or telephonic meetings can hear and be heard at all times.</p> <p>To further strengthen compliance, the District is developing and implementing formal procedures and training protocols that will:</p> <ul style="list-style-type: none"> • Clearly define quorum requirements and prohibited communications, including rolling quorums • Establish standardized practices for conducting in-person, virtual, and hybrid meetings in full compliance with OMA • Require verification that all attendees can hear and participate during meetings held via electronic means • Ensure proper public notice, agenda posting, and documentation of meetings • Include periodic training for Board members and relevant staff on OMA requirements and updates <p>Additionally, the District will coordinate with legal counsel to review meeting practices and ensure alignment with statutory requirements and best practices. Documentation of compliance efforts, including attendance and training records, will be maintained.</p> <p>The District is committed to full transparency and compliance with the Open Meetings Act and will continue to strengthen internal controls to prevent recurrence of these issues.</p>
	Due Dates of Completion: June 30, 2026
	Responsible Party: Superintendent, Board President, District Legal Counsel

2026-005S	INTERNAL AUDIT FUNCTION NOT ESTABLISHED
Condition	<p>Internal auditors play a crucial role in <i>independently</i> safeguarding an organization’s assets and ensuring financial integrity. The monetary value of internal auditors can be assessed in various ways, including their impact on fraud prevention, cost savings, and overall risk management. The District has not established a strong and independent Internal Audit function to regularly audit risk areas, financial and operational activities. Amongst quelling rumors and answering questions for the District’s taxpayers and leadership, it is important that allegations are independently tracked, investigated, and corrective action taken timely. In addition to auditing special areas of concern, the Internal Audit function also rotates testing of different areas of the District’s operations to routinely address risks. The Internal Auditor may be hired or contracted and reports directly through the Audit Committee, which reports to the governing body (Board of Education), and administratively to the Superintendent or designee.</p>
Criteria	<p>Because governmental, economic, regulatory, and operating conditions continually change, systematic reviews should be established to identify and address any special risks prompted by such changes that are external to the District.</p> <p>Any violation of law or good accounting practice including instances of noncompliance or internal control weaknesses must be reported as an audit finding per Section 12-6-5 NMSA 1978. Pursuant to GAGAS 4.23, "auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed: significant deficiencies and material weaknesses in internal control; instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and abuse that has a material effect on the audit."</p>
Effect	<p>Actual or even allegations of noncompliance, wrongdoing, fraud, or discrepancies cause the public to distrust the District. Taxpayers expect all District personnel to adhere to their fiduciary duties and act in the best interest of the District as a whole and failures in internal control undermine trust. Energy is spent on discord that could be spent elsewhere.</p> <p>According to the Association of Certified Fraud Examiner's (ACFE) Report to the Nations, companies with internal audit functions typically experience lower losses from fraud. The median loss from fraud for organizations with an internal audit function was \$100,000 compared to \$150,000 for those without an internal audit function. The presence of an internal audit function also helps organizations comply with regulations.</p> <p>A study by the Institute of Internal Auditors (IIA) found that organizations with a strong internal audit function tend to have a better return on investment. For every dollar spent on internal auditing, companies often see a return in terms of risk mitigation, improved compliance, and enhanced operational efficiency.</p>

Cause	The District has not yet implemented a strong independent Internal Audit function, perhaps from a lack of awareness of the need and benefits. Per <u>NMAC 6.20.2.11</u> , the District shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of special-purpose financial statements in accordance with GAAP.
Recommendation	Internal auditors help improve operational efficiency by identifying inefficiencies and recommending improvements. This can lead to significant cost savings. The IIA has reported that effective internal audits can help organizations save as much as 5-10% of their operational costs through process improvements and enhanced controls. We recommend the Board and Audit Committee develop policy and the Superintendent hire or the Board contract with an internal auditor to implement an internal audit plan that effectively tests controls to prevent future fraud, waste, abuse, or non-compliance. The quick resolution of issues would help operations improve continuously and decrease turnover and strife. Internal Audit is proven to pay for itself many times over financially and decreases risk, including reputational, and financial losses.
Management Response	Corrective Action: In accordance with the recommendation from this audit, during the upcoming Los Lunas Schools Audit Committee meeting on June 9, 2026, we will present a discussion on the advantages and disadvantages of engaging an internal auditor. The Audit committee's suggestion(s) will be presented at the next Regular Board meeting after the Special audit is released (date to be determined).
	Due Date of Completion: Discussion with Audit Committee June 9, 2026; Final TBD upon release of Special Audit
	Responsible Party: Chief Finance Officer

2026-006S	PED LICENSURE REQUIREMENTS
Condition	<p>We identified a PED licensure/endorsement compliance issue based on records indicating that an employee performed instructional or instructional-support functions without documentation in the audit file demonstrating possession of the specific license and endorsements required for the assigned role during the relevant period.</p> <p>Per a review of the employee’s Annual Professional Development Plans, it appears that the employee was non-compliant since September 2015. Since that time, she has been employed in the role of Gifted IEP Facilitator / Gifted Inclusion Support Coach. Per correspondence we observed with PED Licensing Division personnel, this position requires a PreK-12 Special Education License with a Gifted Education Endorsement. During this time, she held a general K-8 Elementary License. PED rules allow for up to two years of waiver. She obtained a PED waiver in one year since 2015, for the school year 22-23.</p> <p>The employee’s husband was the administrator in charge of the District’s HR department at the time, which oversees licensing compliance, leading to concerns of nepotism. In our interviews with certain employees, there were accusations that she may have been intentionally miscoded in PED licensing system, to avoid the non-compliance from being noticed. We are unable to substantiate intent, but it does appear that the requirement and non-compliance were known to the employee and to supervisors, including her husband, and therefore override of controls is a reasonable possibility.</p> <p>Records show overpayment to the employee for stipends she did not qualify for was \$64,500 over 11 years. The situation has since been corrected by the current Superintendent and administrator.</p>
Criteria	<p>New Mexico law requires certain school functions to be performed only by individuals holding a valid PED-issued license or certificate authorizing the function. PED licensure guidance and regulations also describe endorsement requirements and processes for adding endorsements, which is relevant when an employee’s assignment requires a specific teaching field endorsement.</p> <p>License required: individuals teaching, supervising an instructional program, providing instructional support, administering in a public school, or providing certain health care functions “shall hold a valid license or certificate from the department authorizing the person to perform that function” (NMSA 1978, § 22-10A-3(A)).</p> <p>Endorsement requirements (administrative code example): endorsement additions require holding the underlying license and providing documentation supporting the endorsement requirements (6.60.4.9 NMAC (A)–(B)).</p> <p>PED licensure/endorsement guidance describes endorsements as specifying the teaching field in which a teacher may teach and provides requirements for adding endorsements (NMPED “Endorsements – How to Add to a License” guidance).</p> <p>The District cannot produce documentation showing that this employee held the license and endorsements authorizing the assigned function(s) during the period of service, or</p>

	when HR processes do not retain evidence of credential verification at hire and before assignment changes.
Cause	The condition appears associated with incomplete credential verification documentation and retention, and insufficient periodic reconciliation between HR assignment records and PED licensure records. There is also concern about potential management override of controls, for the benefit of a family member.
Effect	Failure to ensure and document proper licensure and endorsements increases the risk of noncompliance with state requirements, may create payroll and staffing disruption risk if assignments must be changed, and can create exposure to corrective actions by oversight agencies. Students without highly qualified educators may experience a lower quality of education. The appearance of nepotism erodes trust in government.
Recommendation	We recommend performing periodic (e.g., quarterly) reconciliation of HR assignments to PED licensure/endorsement records for all instructional and instructional-support roles, and promptly resolve any mismatches through reassignment or expedited endorsement/licensure application processes. We also recommend documenting a role-to-credential matrix that identifies required licenses and endorsements per position and ensure supervisors and HR use that matrix during staffing decisions.
Management Response	<p>Corrective Action: The District acknowledges the finding regarding licensure and endorsement requirements and the lack of sufficient documentation supporting proper credential verification.</p> <p>Corrective action has already been taken. The District reviewed the employee’s credentials and assignment, and the employee will not be serving in this position for the upcoming school year. Additionally, the District has taken steps to ensure that all current staff placements align with licensure and endorsement requirements.</p> <p>To prevent recurrence, the District is strengthening its internal controls over licensure verification and assignment processes. These actions include:</p> <ul style="list-style-type: none"> • Implementing a standardized pre-employment and pre-assignment credential verification process • Requiring documented review and approval of licensure and endorsements prior to finalizing staff assignments • Enhancing coordination between Human Resources and site administration to ensure appropriate placement of staff • Maintaining complete and accurate personnel files with supporting documentation of credentials <p>The District is committed to ensuring all instructional staff meet applicable licensure and endorsement requirements and that documentation is properly maintained to demonstrate compliance.</p>
	Due Dates of Completion: June 30, 2026
	Responsible Party: Superintendent

2026-007S	POLICY RECOMMENDATIONS
Condition	<p>During our procedures, we noted several areas where the District could improve its policies, training, and safeguards:</p> <ul style="list-style-type: none"> • One investigation found that the former Superintendent deleted public records. Training and IT safeguards should be in place so employees are not allowed to delete public records. • We noted the former Superintendent was inappropriately using his District computer for personal business. • The Board did consider a policy on legislative “leave” and declined. We note that certain other Districts do have them; however, we caution that legislators cannot be working and advocating specifically for their employer while making decisions on legislation as that would be a conflict of interest and more akin to lobbying. Legislators must perform the work of their entire legislative district and the state without specifically benefiting a related party entity. • A Common Interest Agreement between the District and an outgoing employee, releasing attorney client privileged information, was executed by a former Board Member and a former Attorney of the District, without board approval. Any such agreements should be discussed as a Board in executive session and voted upon, with any conflicted board members excluded from the discussions and action. • Former Superintendents’ travel was not approved by the Board President (or other designee of the Board via policy is fine). • A Former Superintendent unilaterally had an investigation performed on a Board of Education member. The Board directs and delegates to the Superintendent and this should have been a Board discussion in executive session and voted upon in open session, with any conflicted board members excluded from the discussions and action. • As there were reports of misuse of District vehicles and time, the District should consider GPS vehicle and computer time tracking and monitoring, and ensure all taxable benefits of take home vehicles are outlined in policy and accounted for in employees’ IRS Form W-2s. • Board policy B-3100 prohibits consideration of anonymous complaints. This policy should be edited, as anonymous tips are one of the largest percentages of fraud, waste, and abuse instances discovered. Anonymous complaints and use of a tip hotline are critical to protection of taxpayer funds. Tips should not be submitted to the Superintendent, but rather, an independent person in the District, such as an Internal Auditor, the Audit Committee, or the OSA hotline on their website. • There were many changes to the former Superintendent’s contract that were unclear and took legal counsel and us time to reconstruct what exactly occurred. Superintendent contractual changes should be disclosed/debated in public for transparency and recorded clearly in the minutes. • Both outside employment and “working from home” appeared to impact performance and time/leave of administrators. The District may want to

consider policies regarding both. Governmental Conduct Act requires disclosure of outside employment to which the Board or Superintendent (depending on the position) could deny based on impact to time and duties and any conflicts of interest.

- One investigation found the former Superintendent was recording conversations with other employees. The Board may consider a policy on this. Although recording is legally allowed at the state level, agency policies may be stricter, keeping in mind that all recordings on personal devices become subject to IPRA.
- The Board may add a policy to require procurements (of any kind) over a certain threshold to be brought before the Board prior to the process proceeding. At this point, the Board may provide direction to the Superintendent as to which type of procurement they prefer (if they want the purchase to proceed).
- The Board may consider adding a policy to review procurement methods and RFPs before they are issued for additional oversight ensuring all important strategic aspects are considered. This could also be run first through the Finance Committee with their review/recommendation coming before the Board.
- The Board should consider a policy relating to lines of reporting requirements, including but not limited to police reports and timely reporting to OSA.
- The Board may want to consider adding to policy which of their members is delegated to work on future draft Superintendent contracts and evaluations and clarification that all changes must be brought to the full Board for approval. Alternatively, this may be delegated by vote on a case-by-case basis.
- Per Board Policy B-1250, other than official written legal opinion letters, any legal advice the Board President receives is shared with the Board and Superintendent *as deemed necessary by legal counsel*. This policy could be updated to ensure other board members are included in all legal counsel communications related to certain topics. We do note that the current policy does not preclude the Board from adding an executive session with legal on any topic for an update or voting to ensure certain topics are shared as they become relevant.

Criteria

The New Mexico Office of the State Auditor operates a hotline for reporting fraud, waste, and abuse of state funds. This reflects a broader commitment to accountability and is an excellent tool for NM governments, stakeholders, and taxpayers. There is also an online reporting tool at <https://nmosa.caseiq.app/portal>.

According to the Association of Certified Fraud Examiners' (ACFE) research, tips from employees, including anonymous ones, are the most common way fraud is detected. In fact, the ACFE's "Report to the Nations" consistently shows that tips are a leading method for uncovering fraud. According to the ACFE's "2022 Report to the Nations," fraud cases that were reported through hotlines had a median loss of \$100,000, compared to \$150,000 for cases detected through other means. This suggests that anonymous tips not only help in detecting fraud but also in potentially reducing its financial impact.

The internal control environment includes the tone of an organization, influencing the risk consciousness of its people, and is the basis for all other components of an enterprise's risk management. New Mexico PED PSAB Supplement 2 - Internal Control Structure - CONTROL ACTIVITIES AND PROCEDURES.

Any violation of law or good accounting practice including instances of noncompliance or internal control weaknesses must be reported as an audit finding per NMSA 1978 Section 12-6-5. Pursuant to GAGAS 4.23, "auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed: significant deficiencies and material weaknesses in internal control; instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and abuse that has a material effect on the audit."

Los Lunas Schools Business Office Procedures Manual - RECORDS RETENTION, states "Los Lunas Schools Record Retention Program follows the guidelines issued to Public Schools pursuant to PSAB, Supplement 21. Additionally, Los Lunas Schools adheres to NMAC 1.21.2, General Government Retention and Disposition of Public Records. Retention periods may be extended until all litigation, claims and audit exceptions involving a record are either resolved or concluded. Public records may be photographed or reproduced on file. Specific federal or contractual agreements may require a record to be maintained for a longer period of time, at which time that agreement will supersede State regulations. Retention requirements are reviewed annually and LLS District retains the paperwork per the NMAC 1.21.2 at a minimum."

NMSA 1978 Section 14-2-5 Inspection of Public Records Act (IPRA). An essential function of a representative government is to ensure an informed electorate. A public records custodian is designated, and all persons are entitled to the greatest possible information about government activities and decisions. All records should be safeguarded and available to the public.

NMSA 1978 Section 14-3-9. Disposition of public records. Upon completion of an inspection or survey of the public records of any agency by the administrator, or at the request of the commission or the head of any agency, the administrator, attorney general and the agency official in charge of the records of that agency shall together make a determination as to whether:

- A. the records shall be retained in the custody of the agency;
- B. the records shall be transferred to the records center; or
- C. a recommendation for destruction of the records shall be made to the commission.

NMSA 1978 Section 14-3-13 - Protection of records. The administrator and every other custodian of public records shall carefully protect and preserve such records from deterioration, mutilation, loss or destruction and, whenever advisable, shall cause them

to be properly repaired and renovated. All paper, ink and other materials used in public offices for the purposes of permanent records shall be of durable quality.

NMAC 1.13.12.9 DESIGNATED RECORDS CUSTODIAN. If a statutory records custodian elects to designate an individual to serve on his or her behalf as a designated records custodian, the following requirements and responsibilities are assigned.

A. The designated records custodian shall be the individual responsible for satisfying all statutory requirements of the records custodian as delineated in the Public Records Act (14-3-1 NMSA, 1978).

B. All designated records custodians shall attend the required basic records management training offered by the state commission of public records before they can store, withdraw, access or request the disposition of records.

C. Designated records custodians are required to attend the basic records management training once every three fiscal years.

NMAC 1.13.12.10 CHIEF RECORDS OFFICER. If a chief records officer is designated by the records custodian, the following responsibilities are assigned.

A. The chief records officer shall be the individual with the authority to oversee the agency's records management program.

B. The chief records officer shall perform the following duties:

(1) coordinate the response to the disposition authorization (destruction and transfer to state archives);

(2) establish and maintain a centralized tracking system for the agency's storage containers (including the containers' indices, metadata and locators) and the disposition of records;

(3) disseminate information on any pending litigation, a discovery order, subpoena, government investigation or audit;

(4) ensure staff is adequately trained on proper records management practices; and

(5) develop policies and procedures pertaining to records management issues (i.e., handling confidential materials, new hire orientation, e-mail management, disposition of records when an employee leaves the agency, metadata development, etc.).

C. The chief records officer shall have the same authorities and responsibilities as a record liaison officer. The chief records officer shall have the authority to submit records for direct transfer to archives.

D. All chief records officers shall attend the required basic records management training offered by the state commission of public records before they can store, withdraw, access or request the disposition of records.

E. Chief records officers are required to attend the basic records management training once every three fiscal years.

NMAC 1.13.12.11 RECORDS LIAISON OFFICER. If a record liaison officer is designated by the records custodian, the following responsibilities are assigned.

A. Records liaison officers shall be authorized to interact with the state commission of public records and the state records administrator for the purposes of storage, withdrawal, access or disposition of records.

B. All records liaison officers shall attend the required basic records management training offered by the state commission of public records before they can store, withdraw, access or request the disposition of records.

C. Records liaison officers are required to attend the basic records management training once every three fiscal years.

NMAC 1.13.30.9 DISPOSITION OF RECORDS.

A. Agencies shall ensure the proper authorized disposition of their records regardless of format or medium.

B. Records may be destroyed with the written approval of the state records administrator and the written consent of the records custodian, designated chief records officer or records liaison officer of the custodial agency.

C. Records may be transferred to the state archives with the written approval of the state records administrator and the written consent of the records custodian or designated chief records officer of the custodial agency; once the transfer is authorized and the records are in the physical custody of the state archives, the legal custody of the records is vested in the state records administrator.

D. Agencies shall follow rules issued by the state records administrator governing the methods of destruction.

NMAC 1.13.30.16 MANAGEMENT RESPONSIBILITIES. The development and implementation of a records management program is the responsibility of each agency records custodian, as defined by the Public Records Act. It is also management's responsibility to provide guidance to employees on the proper legal disposition of public records and non-records. Agency records management programs must clearly define the roles and responsibilities of users disposing public records and non-records.

Additionally, sound governance practices require that a Board of Education act as a body in making decisions, with actions taken in accordance with the Open Meetings Act (NMSA 1978, §10-15-1 et seq.), documented in official minutes, and supported by formal policies.

The Board is responsible for oversight of the Superintendent, including approval of contracts, investigations, and travel, and must ensure conflicts of interest are avoided.

Board Policy E-2850, "A school vehicle shall not be taken to an employee's home at night unless the employee has permission from the Superintendent."

Internal control standards further require appropriate segregation of duties, authorization controls, monitoring of District assets, and mechanisms (such as anonymous reporting systems) to detect and prevent fraud, waste, and abuse.

Cause

The deficiencies appear to stem from inadequate or outdated Board policies, lack of consistent training for Board and Administrative leadership, insufficient oversight and enforcement of existing policies, and absence of formalized procedures in key areas such

as record retention, executive actions, contract modifications, and reporting mechanisms.

Effect

The District is exposed to increased risk of noncompliance with laws and regulations, potential loss or destruction of public records, unauthorized or inappropriate actions by executive leadership, reduced transparency in governance, and diminished ability to detect and prevent fraud, waste, and abuse. These weaknesses may also erode public trust and could result in legal, financial, and reputational consequences.

Recommendation

The District should strengthen its governance framework by updating and enforcing Board policies, implementing mandatory training for Board members and executive leadership, and establishing clear procedures requiring Board approval for significant actions. Safeguards over public records should be enhanced to prevent unauthorized deletion. The District should implement an anonymous reporting mechanism, such as a fraud hotline, revise policies to allow consideration of anonymous complaints, and ensure proper documentation and transparency of Superintendent contract changes. Additionally, the District should formalize controls over vehicle usage and executive travel approvals, and consider implementing monitoring tools, such as GPS tracking, where appropriate.

Management Response

Corrective Action: The District acknowledges the findings identified during the special audit regarding policy recommendations for training, public records management, and administrative procedures. We recognize the importance of maintaining a robust internal control environment to ensure transparency, accountability, and the proper stewardship of taxpayer funds.

In response to the specific recommendations, the District is committed to implementing the following corrective measures:

Public Records and Email Retention

- **Protocol Development:** The District will establish formal training and safeguards to ensure departing employees do not delete public records or emails.

Board Governance and Travel

- **Transparency:** The District will enforce protocols requiring that any investigation involving a Board member be conducted by an independent third party, with all related discussions and voting occurring in open sessions as required by law.
- **Travel Authorization:** Procedures have been updated to ensure all Superintendent travel is approved by the Board President, or a designated member if the President has a conflict, in strict accordance with Board policy.

Vehicle Usage and Reporting

- **GPS and Compliance:** We are implementing stricter monitoring of take-home vehicles through GPS tracking to ensure all taxable benefits are accurately reported on employee W-2s, adhering to IRS guidelines.

Ethics and Reporting

- **Anonymous Hotline:** The District agrees that an anonymous reporting system is vital. We will evaluate transitioning the intake of these reports to an independent third party, such as the Audit Committee, to ensure impartial handling of complaints involving senior leadership.

Contractual and Legal Transparency

- **Clear Documentation:** Changes to the Superintendent's contracts will be explicitly disclosed and discussed in public sessions.
- **Legal Opinions:** The District will update Policy B-1250 to ensure that written legal opinions requested by the Board or Superintendent are shared with all Board members to facilitate informed decision-making.

The District remains dedicated to the continuous improvement of its internal controls and the integrity of its administrative operations.

Due Dates of Completion:

Implementation Timeline

- **Policy Revisions:** Proposed to the Board by October 2026.
- **Staff Training:** Mandatory training on records retention and ethics to be completed by October 2026.
- **Internal Audit Review:** Ongoing quarterly monitoring to ensure compliance with the new internal control procedures.

Responsible Party: Audit Committee, Board of Education

2026-008S	ADMINISTRATOR EVALUATIONS
Condition	<p>During the engagement, it was reported that employee evaluations for Administrators were not being performed under previous Superintendents. This has been corrected by the current Superintendent.</p> <p>It is important to note that although the Superintendent is ultimately responsible for ensuring all employees are evaluated, the evaluations in question were not completed by a senior staff member. This was identified when new supervisors completed evaluations with their new directors/supervisors. It was noted that these employees informed their new supervisors that an evaluation had not been completed in many years.</p>
Criteria	<p><u>NMSA 1978 Section 22-10A-19</u> The Superintendent shall adopt policies, guidelines, and procedures for the performance evaluation process.</p> <p><u>NMSA 1978 Section 22-5-14</u> The Superintendent shall administer and supervise the school in the school district. This includes disciplining employees.</p>
Cause	<p>The condition appears associated with the former Superintendents not being held accountable by the Board for performing employee evaluations timely and thoroughly.</p>
Effect	<p>There are long-reaching impacts of lack of HR/evaluation internal controls. There have been consequences such as employee turnover, lawsuits against the District, rumors, and decreased trust.</p>
Recommendation	<p>We recommend adding this item to Board agendas for updates on timely completion of compliance with the law and statute and to the Superintendent’s evaluation criteria.</p>
Management Response	<p>Corrective Action: Los Lunas Schools acknowledges the audit finding regarding administrator evaluations and the absence of consistent processes under prior leadership. Since the transition in district leadership, the District has taken immediate and deliberate steps to establish and implement a comprehensive administrator evaluation system aligned with New Mexico statutes and best practices.</p> <p>Beginning in the 2024–2025 school year, all administrators were evaluated using a standardized evaluation framework that includes clear performance expectations, timelines, and documentation protocols. The District has adopted formal procedures to ensure evaluations are conducted annually, consistently, and with fidelity. Training has been provided to all supervisors responsible for conducting evaluations to ensure compliance and quality.</p> <p>It is important to note that although the Superintendent is ultimately responsible for ensuring all employees are evaluated, the evaluations in question were not completed by a senior staff member. This was identified when new supervisors completed evaluations with their new directors/supervisors. It was noted that these employees</p>

informed their new supervisors that an evaluation had not been completed in many years.

In addition, the District has strengthened internal controls by:

- Implementing a centralized tracking system to monitor completion of all administrator evaluations
- Establishing periodic reporting to the Superintendent and School Board regarding evaluation completion status
- Incorporating evaluation compliance into leadership accountability measures

The Superintendent will continue to provide regular updates to the Board of Education to ensure transparency and sustained oversight. These actions are designed to rebuild trust, improve organizational effectiveness, and ensure compliance with statutory requirements.

Due Dates of Completion: Fully implemented by June 30, 2025, with ongoing annual monitoring

Responsible Party: Superintendent and Human Resources Department

2026-009S	ELECTRONIC AND STAMPED SIGNATURES
Condition	<p>During our review of official District documents, we noted electronic signatures created and used for signing documents such as Districts checks/warrants printed. This is within policy; however, supporting records (even if a batch report) should be reviewed and questions asked prior to signatures printed or else the oversight control and check and balance on finance is not actually in effect. Signatures should only be placed by the person actually approving and signing a transaction or document, or permission given after review, similar to informed consent. Software approvals are ok if the support is reviewed and approved and there are login controls. There should be no “auto pen” type situations which may create legal issues.</p> <p>As a separate compliance finding: Use of electronic or facsimile signatures are allowed by state statute and District policy; however, the authorized officers must file their signature with the New Mexico Secretary of State first.</p> <p>We also note that while the Board does approve check listings after the fact in accordance with state statute and regulations, this finding relates to a <i>different</i> internal control and oversight. The application of a signature constitutes execution of a legal payment instrument. Once a check is signed and issued, the transaction has been executed; therefore, any review occurring after the fact does not serve as a preventive control over disbursements, and review and approval with informed consent must occur prior to signature to ensure the control is operating as intended.</p>
Criteria	<p>Due to the high likelihood of abuse, good accounting practices require a strict chain of custody control be maintained on signatures (and under “lock and key” <u>only</u> used by the person) and electronic signatures should not be used unless the person logs in securely and places their signature or gives express permission after review. There is an extremely high volume of fraud relating to payments, transfers, and direct deposits. Additionally, all supporting records should have checks and balances by signatories instead of just the preparers of transactions.</p> <p>The Uniform Facsimile Signature of Public Officials Act, NMSA 1978, Section 6-9-2, provides: “Any authorized officer, after filing with the secretary of state his manual signature certified by him under oath, may execute or cause to be executed with a facsimile signature in lieu of his manual signature: A. any public security, provided that at least one signature required or permitted to be placed thereon by statute, charter or the ordinance, resolution or other official action authorizing the public security shall be manually subscribed; and B. any instrument of payment.”</p> <p>NMAC 6.20.2.14 H. Cash Control Standards, “A local board, through the issuance of a formal board resolution, may authorize the superintendent of schools or his/her designee to approve vouchers for payment prior to a board meeting. A summary listing of the vouchers and any additional information prescribed by the local board shall be</p>

presented at the next regular board meeting for formal approval and entry in the minutes.”

Any violation of law or good accounting practice including instances of noncompliance or internal control weaknesses must be reported as an audit finding per Section 12-6-5 NMSA 1978. Pursuant to GAGAS 4.23, "auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed: significant deficiencies and material weaknesses in internal control; instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and abuse that has a material effect on the audit."

Effect Signature stamps, plates, and electronic signatures could be used by an individual other than the individual authorized to sign. This could result in forged documents and lack of proper careful and thorough reviews before approvals. This eliminates the effectiveness of the intended internal control.

Cause It is easier and faster to use stamped, plated, and electronic signatures. Board members just do what the administrators tell them and let their signature be used due to the volume of transactions.

Recommendation Due to the high risk of fraud and errors, we recommend that District employees and board members do not use signature plates, stamps, or electronic signatures without review of what they are signing and permission. No one should ever allow their signatures to be used, nor their logins and signoffs by others. Support at some level must be reviewed prior to approval. If certain individuals do not have time to review what their signature will be used on, signatories or officers may be changed by policy or Resolution with a Board vote. We recommend having at least one Board member remain as a signatory for proper segregation of duties, awareness, and oversight.

Management Response **Corrective Action:** Since the current practices agree to the District’s Board policy and the electronic signatures are safeguarded due to the internal controls of the Accounting software with checks stored in a locked cabinet, the District will discuss the Auditor’s recommendations at our next Finance and Audit Committee meetings and agree to what changes need to be made if any. Those decisions will then be presented to the next regular Board meeting following the Committee’s recommendations to be voted on.

Due Date of Completion: June 16, 2026

Responsible Party: Chief Finance Officer

2026-010S

OPPORTUNITY TO STRENGTHEN THE FINANCE AND AUDIT COMMITTEES

Condition

While the District has the required Finance and Audit Committees, we recommend strengthening their oversight roles. The Audit Committee could add a Charter outlining the committees' purposes, officers, responsibilities, functions, and planned actions. The Audit Committee and the Finance Subcommittee already perform many of the required statutory duties; however, **these committees are legislatively intended to be strong monitoring and oversight forces for the District, including over procurement and other financial matters, while making policy recommendations to the Board.** The Board of Education should appoint the members annually and as needed when members change. The Committee Chairs should work with the committee members and administration.

Criteria

In 2010, the 49th Legislature of the State of New Mexico passed House Bill 227, which resulted in NM Stat §22-8-12.3. This statute requires each District to create a Finance Committee and an Audit Committee, the purposes of which, we believe, are to increase accountability and transparency by providing independent oversight of District financial practices that may impact the annual external audit and District budget, revenues, expenditures, and operations. The relevant language of the bill is as follows (emphases added):

Section 1: (B) Each local school board shall appoint at least two members of the board as a finance subcommittee to assist the board in carrying out its budget and finance duties. (C) The finance committee shall: (1) **make recommendations to the local school board in the following areas:** (a) financial planning, including reviews of the school district's revenue and expenditure projections; (b) review of financial statements and periodic monitoring of revenues and expenses; (c) annual budget preparation and oversight; and (d) **procurement**; and (2) serve as an **external monitoring** committee on budget and **other financial matters**.

Section 1: (C) each local school board shall appoint an audit committee that consists of two board members, one volunteer member who is a parent of a student attending that school district and one volunteer member who has experience in accounting or financial matters. The superintendent and the school district business manager shall serve as *ex-officio* members of the committee. The audit committee shall: (1) evaluate the request for proposal for annual financial audit services; (2) recommend the selection of the financial auditor [to the Board]; (3) attend the entrance and exit conferences for annual and special audits; (4) meet with external financial auditors at least monthly after audit field work begins until the conclusion of the audit; (5) be accessible to the external financial auditors as requested to facilitate communication with the board and superintendent; (6) track and **report progress** on the status of the most recent audit findings **and advise the local school board on policy changes needed** to address audit findings; (7) **provide other advice and assistance** as requested by the local school board; and (8) be subject to the same requirements regarding the confidentiality of audit

information as those imposed upon the local school board by the Audit Act and rules of the state auditor.

Internal Controls over Monitoring. The District should obtain an understanding and describe how management monitors the operation of the entity’s five components of internal control to make sure (a) controls are operating as intended and (b) changes to controls are made when necessary. Also describe what reports or other information (such as budget variances, reconciliations, or monthly financial reports) administration uses for that purpose and why administration considers the information reliable. Consider controls relevant to the audit. Consider the following principles: The District selects, develops, and performs ongoing and/or separate evaluations to determine whether the components of internal control are present and functioning. The District evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior administration and the governing body, as appropriate.

Any violation of law or good accounting practice including instances of noncompliance or internal control weaknesses must be reported as an audit finding per Section 12-6-5 NMSA 1978. Pursuant to GAGAS 4.23, "auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed: significant deficiencies and material weaknesses in internal control; instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and abuse that has a material effect on the audit."

Effect The District’s finances and operations could have stronger external and internal monitoring and oversight. The Committees are checks and balances on the Administration and make recommendations to the Board for improvements.

Cause The statutory powers of the Board of Education and its Finance and Audit Committees are not being utilized to their fullest extent.

Recommendation The Board of Education, through its two committees and any necessary policies, should document their purposes, responsibilities, functions, and procedures to assess risks and monitor the correction of existing deficiencies in the accounting internal controls environment. The Audit Committee should provide monthly reports of corrective actions and any recommendations to the Board of Education.

We recommend creating an Audit Committee Charter approved by the Board of Education. We recommend that the Finance and Audit Committees continue to remain active throughout the year but increase their effectiveness with different procedures. Examples of remaining active are: attending NMSBA/NMASBO finance and ethics trainings, performing random audits of activity funds or other topics, fundraisers,

athletic events and concessions, requesting reports from administration on specific areas with findings or risks, evaluating internal controls, following up on community concerns, providing recommendations, etc.

Board and committee members are principally adept at assessing risks that may exist in the District and monitoring correction of problems because they are the closest to the people such as parents, children, staff, business owners, and community members and are accountable to their constituents.

**Management
Response**

Corrective Action: The District will strive to strengthen both the Audit and Finance Committees, we will continue with Monthly Finance Committee and continue Audit committee meetings even out of audit season completing at least 9 meetings per year. At the next Finance and Audit meetings we will discuss strategies for improvement. Suggestions for improvement will be presented at a Board meeting for voting procedures into place after the Special Audit has been released.

Due Date of Completion: July 31, 2026

Responsible Party: Finance and Audit Committee and The Board

2026-011S	NMSA 1978 SECTION 12-6-6 POTENTIAL FRAUD, WASTE, OR ABUSE NOTIFICATIONS TO NM OFFICE OF THE STATE AUDITOR
Condition	The District received complaints of potential fraud, waste, and/or abuse involving public funds and investigation results indicating “apparent violations of criminal statute in connection with financial affairs.” but did not immediately notify the New Mexico Office of the State Auditor (OSA) as required. The District did notify NMDOJ and the FBI of certain matters but did not notify OSA even after being advised to do so. Full notification has now been provided as of the issuance of this report.
Criteria	<p>Pursuant to Section 12-6-6 NMSA 1978 and 2.2.2.10(N)(2) NMAC Audit Rule, agencies are required to notify the Office of the State Auditor immediately upon discovery of an apparent violation of a criminal statute in connection with financial affairs.</p> <p>Section 12-6-6 NMSA 1978 states, “An agency shall notify the state auditor immediately, in writing, upon discovery of any violation of a criminal statute in connection with financial affairs.”</p> <p>Per 2.2.2.10(N)(2) NMAC, “Pursuant to Section 12-6-6 NMSA 1978 (criminal violations), an agency, LPB, or IPA shall notify the state auditor immediately upon discovery of any apparent violation of a criminal statute in connection with financial affairs. If an agency or IPA has already made a report to law enforcement that fact shall be included in the notification. If not immediately known, a follow-up notification shall include an estimate of the dollar amount involved, if known or estimable, and a description of the apparent violation, including names of persons involved and any action taken or planned.”</p>
Cause	The District does not have clearly defined procedures to ensure complaints or allegations involving potential fraud, waste, abuse, or other apparent violations of criminal statutes in connection with financial affairs are promptly evaluated and reported to the Office of the State Auditor as required by Section 12-6-6 NMSA 1978 and the Audit Rule.
Effect	OSA may not be aware of these situations and therefore cannot properly perform its statutorily required oversight role. The District may not have accountability for corrective action if complaints or allegations of fraud, waste, abuse, or other apparent violations involving financial matters are not reported in accordance with statutory requirements. Failure to report such matters also increases the risk that potential violations of criminal statutes involving public funds may not be investigated or addressed in a timely manner.
Recommendation	We recommend the District develop and implement procedures to ensure compliance with Section 12-6-6 NMSA 1978 and 2.2.2.10(N)(2) NMAC requiring immediate notification to the Office of the State Auditor upon discovery of an apparent violation of a criminal statute in connection with financial affairs. This normally includes fraud, waste, and abuse. Procedures should include clear responsibility for evaluating complaints and allegations, documenting actions taken, and ensuring that required notifications are submitted promptly. We also recommend a policy on reporting to law enforcement and OSA.

**Management
Response**

Corrective Action:

The District acknowledges the finding regarding untimely notification to the New Mexico Office of the State Auditor (OSA) of potential fraud, waste, or abuse as required by NMSA 1978 Section 12-6-6 and applicable audit rules.

Corrective action has been taken to address this issue. All required notifications related to this finding were submitted to the OSA on April 28, 2026. Additionally, the District is in the process of developing and implementing formal written procedures to ensure timely identification, evaluation, documentation, and reporting of any allegations or indications of fraud, waste, abuse, or other violations involving financial matters.

These procedures will:

- Clearly define roles and responsibilities for reporting and escalation
- Establish timelines to ensure immediate notification to the OSA as required
- Include documentation standards for complaints, investigations, and actions taken
- Be incorporated into District administrative guidelines and made accessible to relevant staff

Training will be provided to key personnel to ensure awareness of reporting requirements and compliance expectations. The finalized procedures will be maintained in the District's internal policy repository and referenced on the District website as appropriate.

The District is committed to strengthening internal controls and ensuring full compliance with all statutory reporting requirements moving forward.

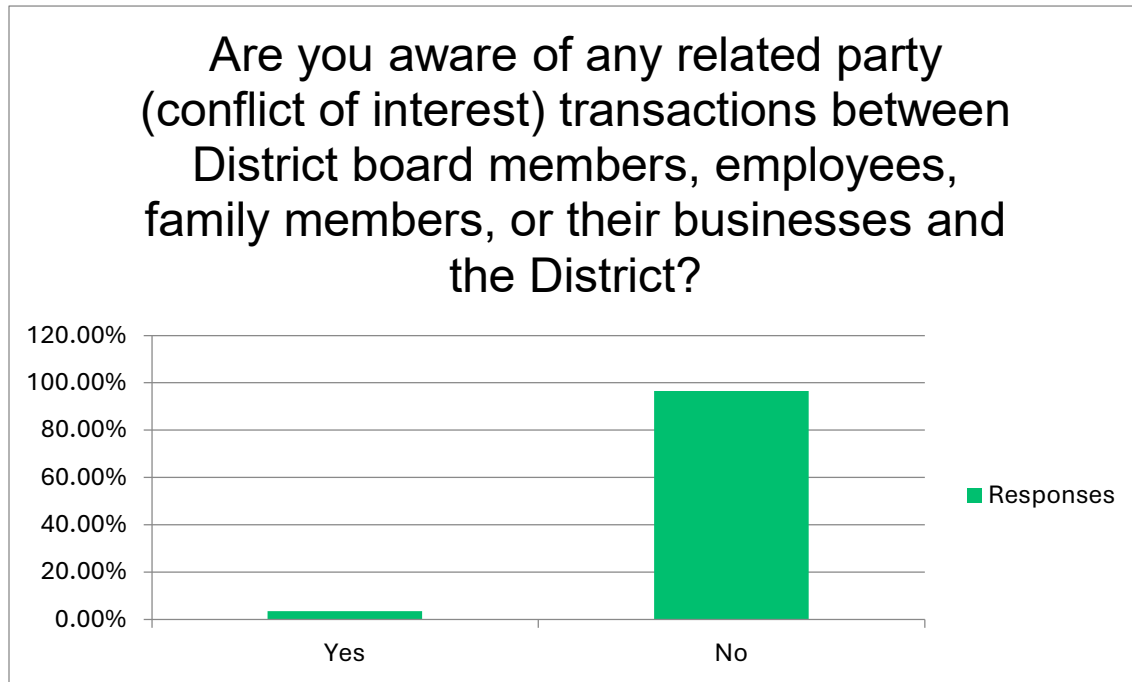
Due Date of Completion: June 30, 2026

Responsible Parties: Superintendent, Chief Financial Officer

EXHIBIT 2

ANONYMOUS EMPLOYEE SURVEY ANALYSIS

Question 1:



- Total Responses: 630
- Yes: 22 (3.49%)
- No: 608 (96.51%)

A total of 630 responses were received, with 22 respondents indicating awareness of related party or conflict-of-interest transactions. At face value, this suggests a low level of awareness. However, a detailed review of the associated narrative responses indicates that the quantitative results do not fully reflect the nature or reliability of the responses. The narrative responses demonstrate that the affirmative selections are not consistent in evidentiary value. Some respondents described specific situations, while others referenced general beliefs, secondhand information, or explicitly stated that they did not have direct knowledge.

To better evaluate the responses, they were categorized as follows:

- Direct Observations / Specific Allegations: approximately 8 responses
- General Perceptions / Beliefs: approximately 9 responses
- Hearsay / Unverified Information: approximately 5 responses
- No Knowledge / Unclear (despite “Yes” selection): approximately 4 responses

Responses categorized as direct observations included statements describing hiring practices and relationships that could indicate potential conflicts of interest. These responses provide the most substantive information but remain unverified.

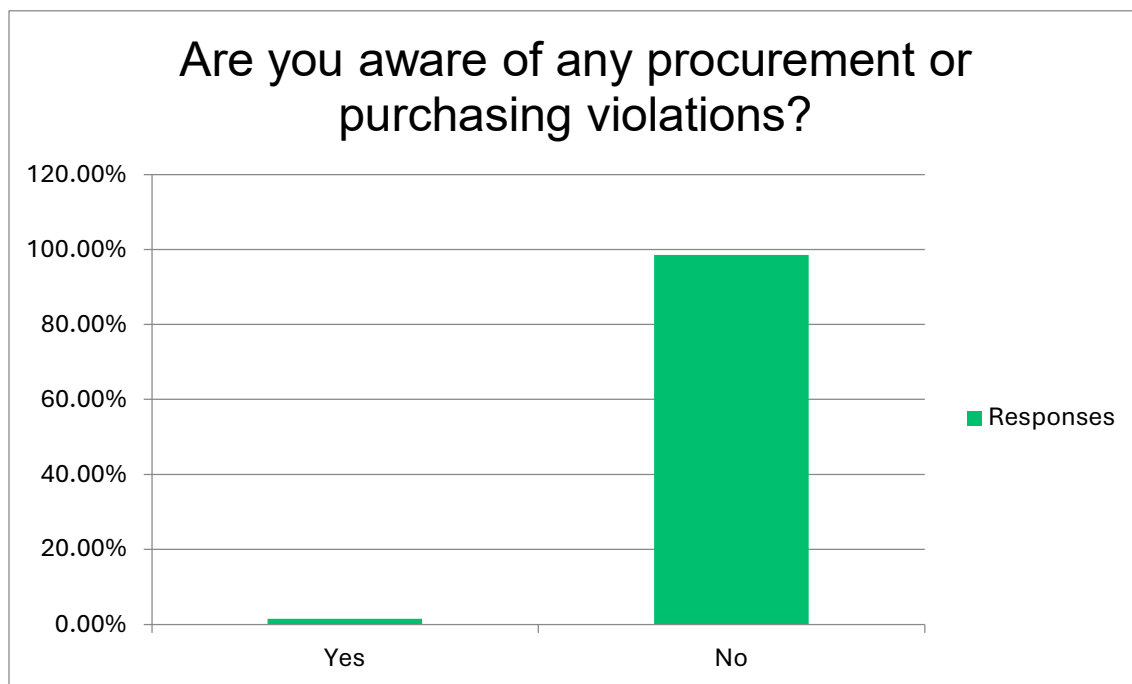
General perception responses reflected a belief that related party relationships exist, often without specific supporting detail. Hearsay responses were based on rumor or secondhand information. Several respondents selected “Yes” but indicated uncertainty or lack of direct knowledge, suggesting that the affirmative count may overstate confirmed awareness.

Representative comments included:

- “Personnel hires family members who are not qualified.”
- “There are many people that are related in the district.”
- “All hearsay.”

The results indicate that reported awareness is low, and the affirmative responses include unsubstantiated information. The data does not confirm the existence of improper transactions but does indicate a recurring perception of nepotism and potential conflicts of interest.

Question 2:



- Total Responses: 629
- Yes: 9 (1.43%)

- No: 620 (98.57%)

A total of 629 responses were recorded, with 9 respondents (1.43%) indicating awareness of procurement or purchasing violations. This percentage suggests that awareness of procurement-related issues within the District is minimal.

Analysis of the narrative responses associated with this question shows that the affirmative selections are not consistent in terms of evidentiary value. Several respondents who selected “Yes” did not describe a specific violation, but instead expressed general concerns about procurement practices, transparency, or consistency. In some cases, responses reflected uncertainty or lack of clarity regarding whether a violation had actually occurred.

To better assess the reliability of the responses, they were categorized as follows:

- Direct Observations / Specific Allegations: approximately 2 responses
- General Perceptions / Concerns: approximately 4 responses
- Hearsay / Unverified Information: approximately 1 response
- No Knowledge / Unclear (despite “Yes” selection): approximately 2 responses

Responses categorized as direct observations included limited references to situations that could potentially indicate procurement irregularities. However, these responses lacked sufficient detail to independently verify whether a violation of procurement policy or law had occurred. Some responses related to issues relevant to the scope of the special audit and concluded upon in the report and findings.

General perceptions reflected broader concerns regarding how purchasing decisions are made. These responses often focused on issues such as perceived lack of transparency, inconsistency in processes, or uncertainty regarding contract awards. While these responses do not establish the existence of violations, they do indicate a perception among some respondents that procurement processes may not be fully understood or consistently applied.

The hearsay category included responses based on secondhand information or informal discussion, rather than direct observation. Additionally, several respondents selected “Yes” but provided comments indicating uncertainty or lack of direct knowledge, suggesting that the affirmative response count may overstate confirmed awareness.

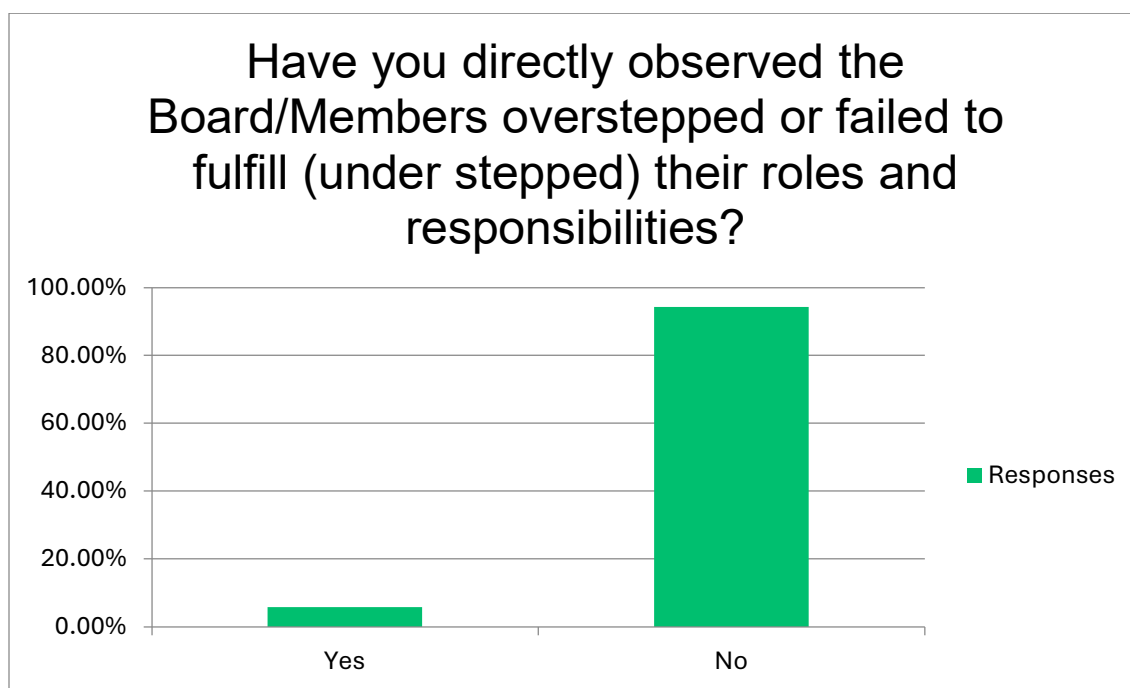
Representative comments included:

- “There are concerns about how contracts are awarded.”
- “It is unclear how some purchasing decisions are made.”
- “Purchasing does not always appear to follow a consistent process.”

Based on this analysis, the reported 1.43% awareness rate likely overstates the level of substantiated knowledge of procurement violations. The majority of affirmative responses reflect perception, uncertainty, or concern rather than clearly defined or verifiable violations.

From an audit perspective, this distinction is important. The survey responses do not, in isolation, provide evidence of procurement violations. However, they do identify an area where there may be a lack of consistency or understanding of procurement processes or rumors, which can contribute to perceived risk.

Question 3:



- Total Responses: 622
- Yes: 36 (5.79%)
- No: 586 (94.21%)

A total of 622 responses were received, with 36 respondents (5.79%) indicating that they have directly observed Board/Members overstepping or failing to fulfill their roles and responsibilities. At face value, this percentage suggests a relatively low level of observed governance-related issues. However, a detailed review of the narrative responses indicates that the nature of the affirmative responses varies significantly in terms of specificity and reliability.

Analysis of the narrative responses shows that not all affirmative selections reflect clearly documented or objectively defined instances of overreach or failure. Some respondents described specific actions, while others expressed broader concerns or interpretations of governance behavior.

To better assess the responses, they were categorized as follows:

- Direct Observations / Specific Incidents: approximately 10 responses
- General Perceptions of Overreach: approximately 15 responses
- Hearsay / Interpretive Statements: approximately 6 responses
- No Knowledge / Unclear (despite “Yes” selection): approximately 5 responses

Responses categorized as direct observations included descriptions of actions perceived as exceeding governance authority, such as involvement in operational or administrative matters. While these responses provide the most substantive information, they often lack sufficient detail to determine whether the actions described constitute a violation of established governance standards.

Responses categorized as general perceptions reflect a broader concern among respondents that Board/Members may be involved in activities beyond their intended role. These responses are often based on interpretation of behavior rather than clearly defined policy or governance violations. Some responses related to issues relevant to the scope of the special audit and concluded upon in the report and findings.

Hearsay and interpretive responses were based on secondhand information or individual interpretation of meetings and decisions. Additionally, some respondents selected “Yes” but provided limited or unclear information, indicating uncertainty regarding whether an overstep had actually occurred.

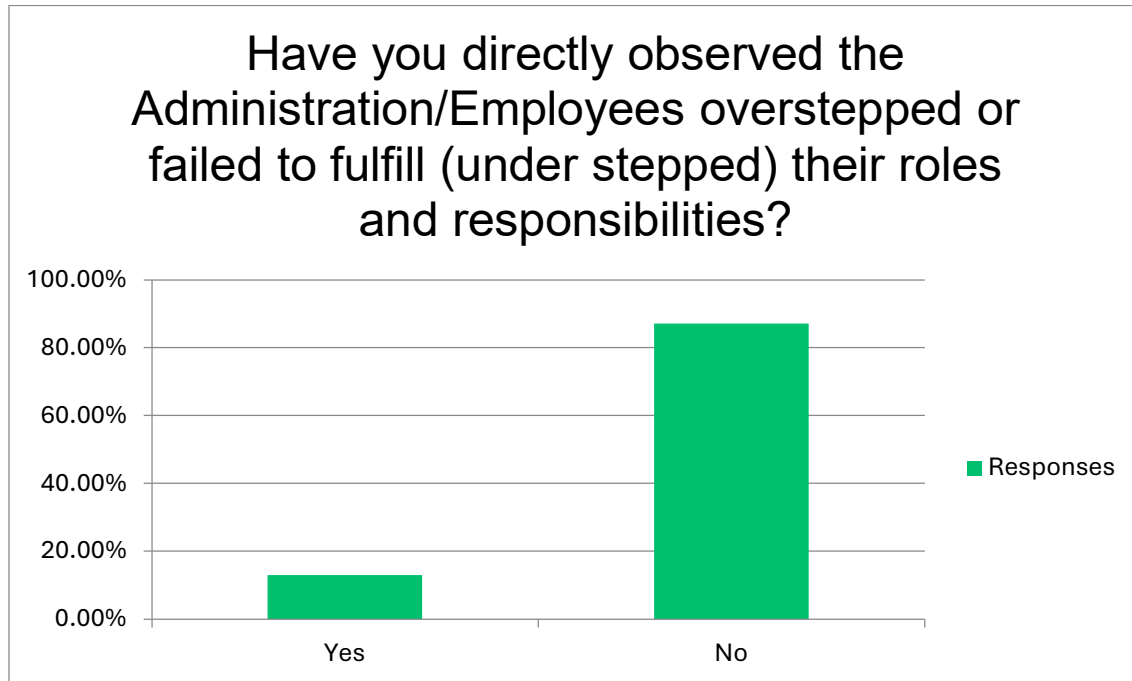
Representative comments included:

- “Board members get involved in day-to-day operations.”
- “There is pressure placed on staff from leadership.”

Based on this analysis, the reported 5.79% awareness rate reflects a combination of direct observation and perception. While the survey responses do not establish confirmed governance violations, they do indicate a recurring concern regarding role clarity and the separation between governance and administration.

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Question 4:



- Total Responses: 618
- Yes: 80 (12.94%)
- No: 538 (87.06%)

A total of 618 responses were received, with 80 respondents (12.94%) indicating that they have directly observed Administration/Employees overstepping or failing to fulfill their roles and responsibilities. This represents the highest percentage of affirmative responses among all survey questions and suggests a higher level of observed concern relative to other areas.

A detailed review of the narrative responses indicates that these affirmative responses include a mix of direct observations and broader concerns regarding accountability and performance.

Responses were categorized as follows:

- Direct Observations / Specific Incidents: approximately 35 responses
- General Perceptions of Misconduct or Performance Issues: approximately 25 responses
- Hearsay / Indirect Information: approximately 10 responses
- No Knowledge / Unclear (despite “Yes” selection): approximately 10 responses

Responses categorized as direct observations included descriptions of specific behaviors or situations related to job performance, adherence to responsibilities, and conduct. These responses

provide a higher level of detail compared to other questions, although they remain unverified since they were not part of the scope of the special audit.

General perception responses reflect concerns about consistency in performance, accountability, and enforcement of expectations. These responses suggest that some employees perceive uneven application of standards or lack of accountability. Certain areas of the scope of work identified relevant findings in this area – see **Exhibit 1**.

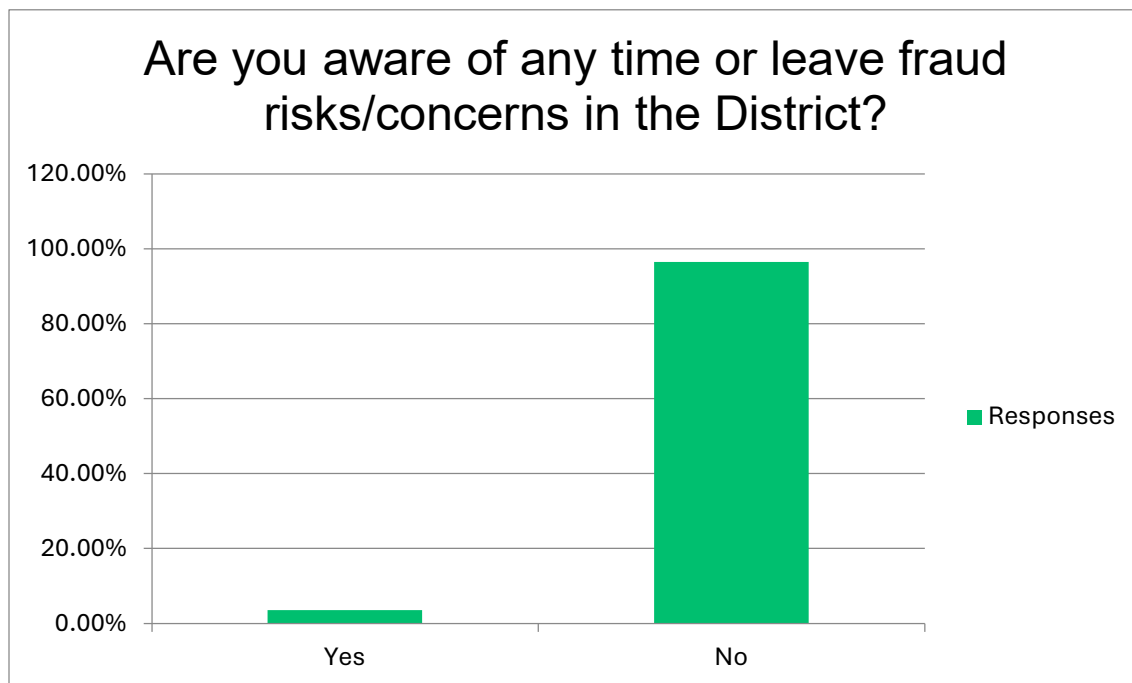
Hearsay responses were based on indirect knowledge or informal communication, and some responses lacked sufficient detail to evaluate the nature of the concern.

Representative comments included:

- “Responsibilities are not consistently carried out.”
- “Some employees are not held accountable for their actions.”

The combination of a higher affirmative response rate and a significant number of direct observation responses indicates that this area represents a more developed concern compared to other topics.

Question 5:



- Total Responses: 621
- Yes: 22 (3.54%)
- No: 599 (96.46%)

A total of 621 responses were recorded, with 22 respondents (3.54%) indicating awareness of time or leave fraud risks or concerns. While this percentage is relatively low, review of the narrative responses indicates that the nature of the concerns varies and does not uniformly reflect fraud. Analysis of the narrative responses shows that many respondents interpreted the question broadly, including general attendance concerns rather than clearly defined fraud.

Responses were categorized as follows:

- Direct Observations: approximately 7 responses
- General Perceptions of Attendance Issues: approximately 8 responses
- Hearsay / Informal Knowledge: approximately 3 responses
- No Knowledge / Unclear (despite “Yes” selection): approximately 4 responses

Direct observation responses included descriptions of attendance-related behaviors such as late arrivals, early departures, or inconsistent time reporting. However, these responses do not necessarily indicate fraudulent activity and may instead reflect policy enforcement issues. Certain areas of the scope of work identified relevant findings in this area – see **Exhibit 1**.

General perception responses focused on concerns regarding inconsistent enforcement of attendance and leave policies. These responses suggest that respondents may perceive unequal application of rules.

Hearsay responses were limited and based on informal knowledge. Some respondents selected “Yes” but did not provide sufficient detail to determine whether the concern related to fraud or general policy compliance.

Representative comments included:

- “Some employees arrive late and leave early.”
- “Leave policies are not enforced consistently.”

Based on this analysis, the reported 3.54% awareness rate appears to reflect concerns related primarily to enforcement and consistency rather than confirmed instances of fraud.

Question 6:

Please describe in detail any other areas of noncompliance with laws, regulations, policies, or procedures you have directly observed.

- Answered: 364
- Skipped: 266

Because this question was open-ended, the responses required qualitative review rather than yes/no analysis. Review of the exported response field showed that 184 responses contained written comments, while 180 answered records did not include written detail in the response field.

Responses were categorized as follows:

- No written detail captured in the response field: approximately 180 responses
- No issues identified / no direct knowledge: approximately 92 responses
- Direct observations / specific noncompliance or education service-delivery concerns: approximately 38 responses
- General concerns / broad statements: approximately 43 responses
- Hearsay / indirect / insufficient detail: approximately 11 responses

The largest group consisted of answered records with no written detail captured in the response field. The next largest group included respondents who affirmatively indicated that they had not observed additional noncompliance, using responses such as “none,” “N/A,” “no,” “none observed,” or similar language.

The direct observation category included comments describing specific concerns related to special education services, student service delivery, accessibility, safety, personnel processes, and student supervision or policy enforcement. Within this category, the most frequent theme involved special education or student support services, including concerns regarding staffing, service minutes, inclusion implementation, and whether students were receiving required services.

The general concern category included broader comments about policies, procedures, staffing, administrative practices, pay practices, or perceived inconsistency, but often without enough detail to determine whether a specific legal or policy violation occurred.

The hearsay or insufficient detail category included responses that were based on secondhand information, uncertainty, referral to other comments, no issues, or statements that did not provide enough detail to evaluate the issue.

Representative comments included:

- “Student SPED minutes not getting met with inclusion model.”
- “There is a failure to meet the needs and the legal obligations of service to special education students.”
- “Older schools are not fully handicapped accessible.”
- “Failure to give formal feedback in a timely manner.”
- “Some teachers allow ditching in their class.”
- “I have not observed any issues.”

Based on this analysis, the responses do not indicate widespread directly observed noncompliance across the District. However, the direct observation responses identify recurring concerns in several areas, particularly special education services and related student support obligations. These comments warrant targeted follow-up because they reference potential compliance-sensitive areas, even though the survey responses alone do not establish verified violations.

Question 7:

Do you have any concerns or recommendations regarding the organizational culture within the District? If so, please elaborate.

- Answered: 403
- Skipped: 227

These open-ended responses required qualitative review rather than structured statistical analysis. Review of the response field indicates that a portion of answered records did not include substantive written comments, while others ranged from brief statements to more detailed concerns.

Responses were categorized as follows:

- No written detail captured in the response field: approximately 150 responses
- No concerns / positive or neutral responses: approximately 95 responses
- Negative culture concerns (trust, leadership, communication, morale): approximately 110 responses
- Mixed or conditional responses: approximately 30 responses
- Hearsay / unclear / insufficient detail: approximately 18 responses

A significant portion of responses included no written detail or minimal entries such as “N/A,” “no,” or similar statements. Among responses that did include content, a meaningful number expressed no concerns or described neutral or positive aspects of the organizational culture.

The largest substantive category of the answers consisted of negative culture concerns. These responses frequently referenced lack of trust, communication challenges, perceived lack of accountability, favoritism, morale issues, and concerns regarding leadership responsiveness. While many of these responses were perception-based, they were consistent in theme across multiple respondents.

Mixed or conditional responses reflected variability in experience, with respondents indicating that culture differed by department, location, or leadership, or that improvements were needed in specific areas rather than organization-wide.

Hearsay or unclear responses included statements that lacked sufficient detail, expressed no issues, or were based on general impressions without explanation.

Representative comments included:

- “There is a lack of trust.”
- “Communication needs improvement.”
- “Morale is low in certain departments.”
- “Depends on the school or department.”
- “No concerns.”

Based on this analysis, the responses indicate that while a portion of respondents do not identify concerns, there is a consistent pattern of perception-based issues related to trust, communication, and organizational climate. These concerns are not uniformly tied to specific policy violations but may influence employee engagement, reporting behavior, and overall organizational effectiveness.

Question 8:

This survey is anonymous. If you would like to be confidentially contacted, please provide your contact information so we may follow up on any concerns.

- Answered: 167
- Skipped: 463

A total of 167 respondents answered this question, while 463 respondents did not provide a response. Review of the responses indicates varying levels of willingness to provide contact information for follow-up.

Responses were categorized as follows:

- Provided contact information: 15 responses
- Declined / no contact information provided: 139 responses
- Expressed confidentiality, anonymity, or retaliation concerns: 7 responses
- Comment only / no contact information provided: 6 responses

The majority of respondents who answered this question declined to provide contact information or indicated a preference to remain anonymous. Some responses explicitly referenced concerns about confidentiality or fear of retaliation, while others provided comments without identifying information.

Representative comments included:

- “There is no way to prove this is anonymous.”
- “No - fear of retaliation.”

- “Remain anonymous.”

Based on this analysis, the limited number of respondents willing to provide contact information suggests hesitation to engage in follow-up, likely influenced by concerns regarding anonymity and confidentiality.

Summary

The survey results, when considered in total, reflect a consistent pattern in which quantitative response rates alone do not fully represent the nature or reliability of the information provided. Across multiple questions, the percentage of affirmative (“Yes”) responses was relatively low. Care was taken to preserve anonymity by conducting this independent of the District and by anonymizing and editing comments. Detailed review of narrative responses indicates that these affirmative selections often include a mix of direct observations, general perceptions, hearsay, and responses lacking sufficient detail.

This distinction is significant. The survey results do not, in isolation, establish verified instances of noncompliance, fraud, or policy violations. Instead, they reflect varying levels of awareness and perception among respondents. In several areas, respondents selected affirmative responses but provided comments indicating uncertainty, lack of firsthand knowledge, or reliance on secondhand information. As a result, the reported percentages of awareness may overstate the level of substantiated knowledge.

Qualitative analysis identified recurring themes across multiple questions. These include concerns related to procurement transparency, role clarity between governance and administration, employee accountability, consistency in policy enforcement, and organizational culture. While many of these concerns are perception-based, their consistency across responses indicates areas where internal processes, communication, or oversight may benefit from further review.

Particularly notable are responses related to organizational culture and reporting environment. Some respondents expressed concerns regarding trust, communication, and fear of retaliation. Responses to open-ended questions also identified targeted areas that may warrant further review, including special education service delivery and consistency in policies, accountability, supervisory, and personnel processes. While these responses do not independently confirm noncompliance, they highlight specific operational areas that may carry elevated risk and should be evaluated through additional procedures.

Comments did include items within the scope of this engagement and have been followed up on. Testing, explanations, and results are within the report and any related findings in **Exhibit 1**. The survey results should be interpreted as an indicator of perceived risk rather than definitive evidence of wrongdoing. The survey has also identified broad risk areas for the Board and Superintendent to follow up on in risk assessment, strategic planning, goal setting, policy implementations, and ongoing monitoring.