

Gallup McKinley County Schools  
Forensic Audit Consulting Report



## REPORT OF INDEPENDENT ACCOUNTANTS' CONSULTING PROCEDURES

To the Board of Education and Management  
Gallup McKinley County Schools  
Gallup, New Mexico  
and  
Wayne Johnson, New Mexico State Auditor

Thank you for the opportunity to serve Gallup McKinley County Schools (GMCS or District) by completing this forensic audit consulting engagement. This report summarizes our procedures, findings, and recommendations as it relates to our assistance with your evaluation in assessing the following; (1) whether there were procurement irregularities; (2) analyzing documents and interviews regarding alleged Director of Support Services' vendor preference; (3) fundraising related to his son and Murphy Builders with possible undisclosed conflicts of interest related to the son of the Director of Support Services; and (4) identifying areas of weaknesses in internal control procedures.

We have performed the consulting procedures enumerated below, which were agreed to by GMCS, solely to assist you in determining if fraud, waste and abuse regarding construction vendor preference occurred, and whether payments made in connection to an employee's relatives improperly influenced GMCS staff as it relates to conflicts of interest. In addition, identifying areas of weakness as it relates to GMCS procurement process. During the Special Forensic Audit, we analyzed multiple records which included emails, letters, memos, contracts, spreadsheets, financial records and specific documents provided by GMCS. After analyzing these records and obtaining an understanding of the information, we interviewed multiple GMCS employees and contract vendors.

This consulting engagement was conducted in accordance with the standards established by the American Institute of Certified Public Accountants and the New Mexico Audit Act 12-6-6 NMSA 1978, 2.2.2 NMAC Requirements for Contracting and Conducting Audits of State Agencies and Local Governments. 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. GMCS remains responsible for their accounting records, procurement procedures and related documentation, fraud, waste and abuse prevention and detection, and for maintaining effective internal controls over financial reporting and compliance with all laws, statutes, regulations, and contracts.

### Factors Leading to Suspicions of Possible Irregularities

Subsequent to a non-operable fire alarm system investigation performed by GMCS, the District was made aware of some potential vendor preferences within the On-Call Construction Contract related to RFP 292-17BP (multiple vendors from various trades including maintenance, plumbing, electrical, and low voltage) and possible irregularities performed by the Director of Support Services. In an effort to look into the potential vendor preferences and irregularities the District initiated a Special Forensic Audit to be conducted by an outside firm.

**Objectives of Special Forensic Audit Consulting Procedures:**

- **Identify if fraud, misuse or abuse has occurred by the Director of Support Services**
- **Identify areas of weakness in internal control procedures that allowed, if any, fraud, misuse, and abuse.**
- **Establish and secure evidence necessary for criminal and/or disciplinary action.**
- **Provide a written document for management detailing all procedures, findings and outcomes.**

**Procedures and Analysis to Accomplish Objectives:**

**Objective Number 1. Identify if fraud, misuse or abuse has occurred by the Director of Support Services**

CCPAs performed the following procedures to provide assistance in achieving the objective above:

CCPAs conducted interviews of the following individuals:

Director of Support Services  
Procurement and Business Services Director  
Procurement Buyer  
Procurement Accounting Technician  
Network Administrator  
Owner of Murphy Builders  
Owner of Advanced Technical Services  
SkillsUSA Sponsor, teacher Miyamura High  
President & CEO of Powerline Technologies, Inc  
PSFA Region 3 Representative

CCPAs analyzed and reviewed the following documents:

Attestation for Program Managers RT; Construction Procurement Steps; Murphy On-Call Contract; FY15 Schedule of Vendors; FY16 Copy of Combined Templates; FY17 Combined Electronic Schedule; Purchasing & Payables Export FY16; Purchasing & Payables Export FY17; Purchasing & Payables Export FY18; Document of Ramah Rescue MH; Document of Rescue Plumbing & Heating; Requisition Flow Process; Documents Provided by Director of Support Services; GMCS Board Policy; GMCS Personnel Handbook; Procurement Handbook; Document of Powerline Technologies Communications; Document of Director of Support Services; Letter of Concern – Crownpoint HS; Statement from The owner of Murphy Builders (Murphy Builders); and Director of Support Services Employment Application

**Matter investigated:**

***Vendor preference irregularities by the Director of Support Services***

**A. Analysis:**

In reviewing the On-Call Contract, GMCS awarded Murphy Builders the On-Call Contract on November 21, 2016, and subsequently GMCS renewed this contract as part of the four-year contract. Based on inquiry with GMCS staff, having this On-Call Contract related to non-significant construction projects around the District has allowed for more efficient repairs and construction time lines.

As part of the On-Call Contract, we noted that Murphy Builders did perform services for GMCS while the Director of Support Services was employed in this position. We noted that all approvals do appear to be obtained during the procurement process and all GMCS policies appear to be adhered to.

From our procedures, we noted an instance where an interior wall was needed at the UNM campus facilities of GMCS and it was requested of the Director of Support Services to 'obtain a few quotes' for the construction of this wall. After some time, the Director of Support Services came back with an informal (not written) quote and proposed to have Murphy Builders perform the work for an 'even' dollar amount. After this occurred, the Director of Support Services was instructed to actually go obtain quotes for the work and then returned with another 'informal' quote to have Murphy Builders perform that work that was significantly lower than the original quote and it was to be facilitated through the On-Call contract. Management was uncomfortable with this behavior and did not move forward with the construction of the wall.

**Conclusion:**

As required in GMCS's Employee Procurement Handbook and GMCS's procurement process, the Procurement and Business Services Director, approved the original District On-Call Contract and its one-year renewal. All necessary approvals appear to be have been obtained and all procurement processes were followed as it relates to the initiation and execution of this contract.

However, as noted in 1.4.1 NMAC, Districts should evaluate all procurement to ensure they are getting the "Best obtainable price", meaning the price at which services or goods can be purchased which is most advantageous to the purchasing entity. Having projects procured with the potential to be highly priced under an On-Call Contract without the District trying to get the best obtainable price, may circumvent the nature of the New Mexico Administrative Codes Procurement Regulations. The spirit of the above noted behavior, could be construed as providing preference, and not adhering to the nature of 1.4.1 NMAC.

**B. Analysis:**

GMCS awarded to Murphy Builders three separate contracts to build three Elementary Schools (Ramah Elementary, Red Rock Elementary, Del Norte Elementary). These three projects also involved the New Mexico Public Schools Facility Authority (PSFA) as part of the procurement process. During our inquiry, we noted two additional contracts were awarded to another general contractor to build two other unrelated schools for the District. The Director of Support Services was part of all these projects, and the

procurement of each went through the RFP process based on 1.4.1 NMAC, and the District's Employee Procurement Handbook.

**Conclusion:**

The Procurement and Business Services Director approved all three Elementary School contracts according to construction procurement procedures in the Employee Procurement Handbook and GMCS's procurement process, and all projects went through the RFP process based on 1.4.1 NMAC. Given the scope, it does not appear that there were vendor preference irregularities identified related to awarding these contracts.

**C. Analysis:**

When the Region 3 Manager for PSFA began working with the District he questioned why the District uses Murphy Builders so frequently and scrutinized all Murphy Builders contracts. After scrutinizing Murphy Builders awarded contracts, he determined they get selected for many projects based on qualifications, lowest price and performance of work as requested.

**Conclusion:**

PSFA Representatives select construction companies for school construction through a vetting process of interviews and five blind voters scoring. If for some reason a tie occurred in the scoring, the Procurement and Business Services Director would make final approval as the tie breaking official for the District. Given the limited scope, it does not appear that there were vendor preferences or irregularities with the procurement of the construction contracts of the schools mentioned in Analysis B above.

**D. Analysis:**

As part of the On-Call Contract, Low Voltage services can be provided. Based on inquiry with the District, Powerline Technologies, a vendor that is not related to the Murphy's On-Call Contract, stated they are receiving less work and other vendors were receiving vendor preference. We discovered during the life of the On-Call Contract, Advanced Technologies (a sub-contractor of Murphy Builders) and Powerline Technologies have received \$89,170 and \$19,999, respectively for work performed.

Advanced Technologies had access to the GMCS Work Order system (School Dude), which they monitor and perform requested work before Powerline Technologies is aware of the Work Order. The Procurement and Business Services Director recently became aware of this vendor preference with the work order system and instructed the Director of Support Services to give the same access to Powerline Technologies, which he did. Now that Advanced Technologies and Powerline Technologies both have access to the DUDE system, there does not appear to be a vendor preference.

**Conclusion:**

Based on one vendor having unfair access to the work order system and not providing access to other vendors, irregularities in vendor preferences appear to have been given to Advanced Technologies. We are not able to determine if the preferences were as a result of the Director of Support Services' position or if the Director of Support Services had anything to do with these circumstances.

**E. Analysis:**

Rescue Plumbing and Heating is owned by the Director of Support Services' Father-In-Law. The Procurement and Business Services Director had excluded this vendor from being utilized when the Director of Support Services was the Maintenance Supervisor. When a new Maintenance Supervisor was hired, he tried to have Rescue Plumbing and Heating approved as a vendor. Again, the Procurement and Business Services Director did not allow the vendor to be added, due to related party concerns of the Director of Support Services and his new position. However, the former Maintenance Supervisor utilized the company without approval and GMCS did authorize one payment to Rescue Plumbing and Heating for work completed on the On-Call contract.

However, from our interviews performed, it was stated that the former Maintenance Supervisor utilized the company without the Procurement and Business Services Director's approval and GMCS did authorize one payment to Rescue Plumbing and Heating for work completed on the On-Call contract.

**Conclusion:**

The District discovered the former Maintenance Supervisor to be the root of this issue and he is no longer employed by GMCS. He resigned on May 31, 2017 after an internal investigation was conducted. Rescue Plumbing and Heating will not be used as a vendor, as the Director of Support Services is a related party and approving official Procurement and Business Services Director is fully aware.

From evaluation of the nature of the New Mexico Administrative Codes Procurement Regulations, the spirit of the above noted behavior related to the On-Call Contract and including Rescue Plumbing and Heating in this contract, could be construed as providing preference (not necessarily by the Director of Support Services), and not complying with the nature of 1.4.1 NMAC.

**Matter investigated:**

***Employment by current GMCS Construction Vendor. Murphy Builders employs the son of the Director of Support Services.***

**A. Analysis:**

The son of the Director of Support Services started working part time for Murphy Builders in June 2017 for a minimum wage of \$7.50 per hour and ended employment in April 2018. The son of the Director of Support Services was the lowest paid employee and worked approximately 12 hours per week at Murphy Builders. The owner of Murphy Builders hired the son of the Director of Support Services because the grandfather, helped the owner of Murphy Builders get started in the construction business in the late 1980's. Murphy Builders represented to us that they did not hire the son of the Director of Support Services as a minimum wage employee as a result of being a District vendor.

It was noted that there was a clause in the renewed On-Call contract with Murphy Builders that states "The Contractor warrants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of service required under this Agreement." This contract was signed on December 1, 2016 and the employment of the son of the Director of

Support Services began in June 2017. There did not appear to be any discussion or disclosure regarding the hiring of the related party.

Furthermore, in reviewing the GMCS Employee Procurement Handbook we noted that it states the following:

#### XI. Ethical Conduct

A. Employee Participation. No employee of the District can participate directly or indirectly in a procurement when the employee or any member of the employee's immediate family has a financial interest in the business seeking or obtaining a contract.

1. Contact Procurement should a vendor and relationship to an employee be in question. Procurement may provide guidance to try and utilize the vendor in accordance with the Procurement Code, Government Conduct Act and other applicable laws.

#### **Conclusion:**

CCPAs noted that the contract maintains clauses that appear to require almost any potential conflict of interest to be disclosed by the contractor which did not take place. Since there was no disclosure of the employment arrangement, it appears that potentially GMCS should have been made aware of the employment arrangement due to the Director of Support Services' position within the procurement and maintenance areas.

In addition, it does appear that violations of GMCS policies could have occurred and some questions raised whether the employment arrangement should have been disclosed by the Director of Support Services, due to his position, and it could be interpreted that this scenario should have been brought up to the attention of management.

#### **Matter investigated:**

***Donations of funds by GMCS Construction Vendors to Director of Support Services' son,***

#### **A. Analysis:**

On February 9, 2017 and February 29, 2016, Murphy Builders donated \$2,000 each year on behalf of the son of the Director of Support Services through Miyamura High School. This donation was part of the fundraising for Skills USA after school program. The son of the Director of Support Services also had donations from other local vendors in lesser amounts of \$100, \$250 and \$500 during his time in the program. Based on our inquiry, no other students received a donation of \$2,000 as it relates to this after school program.

#### **Conclusion:**

Murphy Builders donations of \$2,000 each year far exceeded donation amounts from other donating vendors. All donations to the son of the Director of Support Services and other students in the program were paid by company checks. The checks from the vendors were made payable to Miyamura High School and noted which student it was for, as instructed by the Skills USA teacher.

Also, 10-16-3 NMSA. "Ethical principles of public service; certain official acts prohibited; penalty". States the following:

A. A legislator or public officer or employee shall treat the legislator's or public officer's or employee's government position as a public trust. The legislator or public officer or employee shall use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests.

B. Legislators and public officers and employees shall conduct themselves in a manner that justifies the confidence placed in them by the people, at all times maintaining the integrity and discharging ethically the high responsibilities of public service.

C. Full disclosure of real or potential conflicts of interest shall be a guiding principle for determining appropriate conduct. At all times, reasonable efforts shall be made to avoid undue influence and abuse of office in public service.

D. No legislator or public officer or employee may request or receive, and no person may offer a legislator or public officer or employee, any money, thing of value or promise thereof that is conditioned upon or given in exchange for promised performance of an official act.

As it relates to the spirit of 10-16-3 NMSA, even though it was the son of the public employee Director of Support Services receiving monies for this school program, the amount of the donations was higher than the 'norm' compared to other donations, and this type of transaction can call into question maintaining the integrity and discharging ethically the high responsibilities of public service as it relates to the Director of Support Services.

**Matter investigated:**

***Undue influence in making decisions related to procurements of goods/services by the Director of Support Services***

**A. Analysis:**

The District On-Call Contract, the Contract in question, was awarded to Murphy Builders in November 2016 then subsequently renewed in November 2017.

**Conclusion:**

The Procurement and Business Services Director, the final approving official, approved the original District On-Call Contract and its one-year renewal according to District procurement procedures. Given the scope no undue influence was identified regarding the award of this contract.

**Matter investigated:**

***Modifications to construction and/or maintenance services procurements  
Irregularities or inappropriate omissions of design or excess charges***

**A. Analysis:**

The Director of Support Services asked the Procurement and Business Services Director to increase the purchase order on portables installation work order involving the Murphy Builders On-Call Contract from \$48,474 to \$50,136.50 for new heaters and electric work.



**Conclusion:**

CCPAs did not note inappropriate omissions of design or excess charges and all charges were approved by the Procurement and Business Services Director as required by GMCS internal controls.

**B. Analysis:**

The Procurement and Business Services Director and the GMCS Buyer verify contract pricing and specifications by getting three quotes from companies before awarding contracts. This significantly reduces the possibility of unspecified modifications to construction procurements.

**Conclusion:**

CCPAs noted this practice to follow procurement procedures and no inappropriate omissions of design or excess charges given the scope of work.

**Matter investigated:**

*Services of contracts in question for GMCS, billed and work preformed*

**A. Analysis:**

Given the scope, we reviewed work orders performed and billed as specified in the On-Call Contract.

**Conclusion:**

CCPAs did not note any deviation or exception from the designed procedures. However, as noted above, with possible issues relating to 1.4.1 NMAC 1978 and 10-16-3 NMSA, the District must ensure that any On-Call Contracts that are awarded for maintenance or construction, are designed in a way that the procurement code is not circumvented in both appearance and substance. The contracts should be described in sufficient detail to define what type of 'nonsignificant construction' projects are eligible under this contract (Major/Non-major projects), and how these types of projects are defined.

The District should also ensure that the contract incorporates mitigating controls to ensure vendors of the contract do not intentionally perform services at inflated rates with no questioning by the District.

**Objective Number 2. Identify areas of weakness in internal control procedures that allowed, if any, fraud, misuse, and abuse.**

This report summarizes our findings discovered during our procedures to accomplish the goals of the forensic consulting engagement. We have provided specific recommendations for GMCS to strengthen internal controls over financial reporting, enhancing GMCS's ability to comply with laws, regulations, and contracts, and to reduce the risk of further transactions where conflicts of interest could occur without proper disclosure or transpire without proper training in the **Schedule of Findings and Responses** of this report. We emphasize that it is vital for GMCS to perform ongoing monitoring of its internal control framework for all financial areas and to periodically (at least quarterly) check on the corrective actions in place (or already taken). Findings include the elements as required by 2.2.2.15B and 2.2.2.10(I)(3)(c). Responses

to findings were not audited by the accountants and are presented as provided by GMCS to the accountants.

**Objective Number 3. Establish and secure evidence necessary for criminal and/or disciplinary action.**

This report includes a listing of documents, emails, letters, memos, contracts, spreadsheets, financial records and work papers reviewed and analyzed, as well as memorandums of records created from interviews and are listed at the end of the report.

**Objective Number 4. Provide a written document for management detailing all procedures, findings and outcomes.**

Elements encompassed within the contents of this report.,

**Corrective Actions to Date by GMCS**

- ✓ GMCS Superintendent placed the Director of Support Services on administrative leave on March 1, 2018 pending further investigation of potential irregularities.
- ✓ GMCS' Assistant Superintendent (Director of Support Services direct supervisor) gave a disciplinary directive regarding the events of the fire alarm situation at Crownpoint HS.
- ✓ GMCS conducted an internal audit on the former Maintenance Supervisor and discovered wrongdoing.
- ✓ GMCS terminated the former Maintenance Supervisor in August 2017.
- ✓ As a result of the former Maintenance Supervisor's actions, GMCS did not allow Rescue Plumbing and Heating to be an approved construction vendor.
- ✓ GMCS administration has expressed their concerns about the Director of Support Services by requesting a Special Forensic Audit.
- ✓ GMCS turned over all related records and access to the Director of Support Services' office to CCPAs for review and analysis.
- ✓ GMCS secured Director of Support Services' computer, office and company vehicle.
- ✓ GMCS engaged an external firm to perform forensic procedures.
- ✓ GMCS hired a temporary Support Services Director after placing the Director of Support Services on Administrative leave.

We were not engaged to, and did not conduct an audit or examination, the objective of which would be the expression of an opinion on the accounting records of GMCS under attestation or auditing 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 attestation standards. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the Board of Education and management personnel of GMCS and the New Mexico State Auditor. This report should not be relied upon by any other party. Cordova CPAs LLC accepts no responsibility to any other party to whom this report may be shown or whom may otherwise gain access to this report.

We appreciate the opportunity to assist you in your assessment of these objectives and to achieve stronger internal controls and processes. We would like to thank GMCS's administration and staff for their cooperation and assisting us with our procedures.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The letter "C" is significantly larger and more stylized than the rest of the text.

Cordova CPAs LLC  
Albuquerque, New Mexico  
July 5, 2018

**Gallup McKinley County Schools  
Forensic Audit Consulting Procedures  
Schedule of Findings and Responses**

**2018-001 Control Environment and Information and Communication**

*Condition:* During our forensic consulting procedures, we noted that there were deficiencies in the entity wide internal control structure that led to employees not being made aware of certain policies including conflicts of interest and related parties.

*Criteria:* The Committee of Sponsoring Organizations (COSO) COSO Internal Control – Integrated Framework (2013), consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring, which includes the implementation of internal controls with financial close functions to produce accurate and timely financial information in accordance with generally accepted accounting principles.

*Effect:* GMCS employees are not aware of the conflict of interest policy in place governing related parties and related party transactions. This could create a scenario where employees in positions that could be influenced do not have exposure and training to ensure all conflicts of interest, or situations where they are not independent in mind and appearance, are disclosed and properly vetted prior to procuring goods and/or services.

*Cause:* It appears that the elements of Control Environment and Information and Communication were not properly implemented as several of the employees interviewed were not aware of properly disclosing conflicts of interest. Also, they were not aware of what constitutes a conflict of interest or related party transaction.

*Accountants' Recommendations:* We recommend that the GMCS conduct an initial, and annually thereafter, standardized Conflict of Interest training for all GMCS administration or any individuals that have responsibility to initiate or approve purchase requisitions or have any role in the procurement process.

*Agency's Response:* Gallup-McKinley County Schools (GMCS) will provide an initial Conflict of Interest training for all GMCS administration or any individuals that have responsibility to initiate or approve purchase requisitions or have any role in the procurement process. This training will be provided no less than annually each year after the initial training. The first training will be provided no later than August 15, 2018 and subsequent trainings will be provided at GMCS administrative and secretarial conferences. The Assistant Superintendent of Business Services will be responsible for providing this training and assuring appropriate documentation is retained regarding this training.

**Gallup McKinley County Schools  
Forensic Audit Consulting Procedures  
Schedule of Findings and Responses**

**2018-002 Lack of Controls over Operations Management Software**

*Condition:* During our forensic consulting procedures, we noted that one vendor part of the On-Call contract had access to the GMCS work order system (School Dude) (Operations Management Software), which was being monitored by the vendor and they were able to gain preference and an unfair advantage as they were aware of work orders prior to any other vendor.

*Criteria:* New Mexico Public Education Department's Manual of Procedures PSAB Supplement 2 related to Internal Control Structure states the following:

**"MONITORING**

District and charter school systems and internal activities require monitoring to assess the quality of the system's performance over time. Assessment is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two. Deficiencies should be reported to supervisors, with serious matters reported to top management.

Monitoring requires continuous assessment and implementation of the district's internal control system. Monitoring includes the normal day to day standard operating procedures used by the district to conduct business, and the evaluation of employees' understanding of those procedures. Monitoring also includes both internal and external quality assessments of the internal control system. The results of the quality assessments are used to produce a positive impact on the internal control system and ensure that recommendations are actually implemented."

*Effect:* The vendor with access to School Dude was able to have vendor preference during the period that they were able to access the work order system and other vendors did not have access. This led to more work being directed towards this vendor and a potential vendor preference.

*Cause:* GMCS did not properly monitor the access of the work order system to allow employees to assess the IT General Computer access controls to ensure all vendors have the same rights and admittance to the work order system.

*Accountants' Recommendations:* We recommend that the District review its internal controls and process surrounding the work order system to ensure that all GMCS employees allow appropriate access to all vendors and ensure the process does not promote any preferences or advantages of any particular vendor.

*Agency's Response:* Gallup-McKinley County Schools will not allow any vendors to have access to the GMCS work-order system. Assistant Superintendent of Support Services will be responsible to assure that all vendors will be removed from the GMCS work-order system. This policy will be documented in writing to Administrative Maintenance staff no later than August 15, 2018.

**Gallup McKinley County Schools  
Forensic Audit Consulting Procedures  
Schedule of Findings and Responses**

**2018-003 Circumvention of Procurement and Purchasing Policy**

*Condition:* During our procedures, we noted the following:

- The former Maintenance Supervisor procured services from a related party that was excluded as an eligible vendor.
- The On-Call contract may have been a procurement vehicle that led to GMCS not achieving “Best Obtainable Price” as defined in 1.4.1 NMAC.

*Criteria:* Procurement requirements described in 1.4.1 NMAC 1978.

*Effect:* GMCS procured services that were not authorized. In addition, we noted potential solicitations that may have not been the most advantageous for GMCS. There may have been other actual instances of services performed that the “Best Obtainable Price” was not obtained.

*Cause:* The employee (former Maintenance Supervisor) responsible to procure services for maintenance circumvented the procurement procedures in place. In addition, there were informal quotes obtained with varying prices proposed that may not have been within the scope of the on-call contract and/or higher than a specific quote for specified projects.

*Accountants’ Recommendations:* We recommend that any contracts for “on-call” services be reevaluated to ensure the scope is within the spirit of the New Mexico Procurement Code, does not enable the procurement process to be circumvented, and risk of waste and/or abuse is mitigated by preventing ‘projects’ being classified through on-call contracts and obtaining the most advantageous outcome for GMCS. In addition, we recommend that GMCS perform a full risk assessment over the entire purchasing process, factoring in corrective action plans already implemented as described in the report, and any that may arise from this report.

*Agency’s Response:* Gallup-McKinley County Schools will immediately implement a written policy related to on-call contractors who are awarded similar services to ensure qualified quotes are received from all vendors identified in the on-call solicitation. Emergency calls to on-call contractors will be rotated after each incident to assure all contractors in the on-call solicitation are being offered work. The Assistant Superintendent of Business Services and the Assistant Superintendent of Support Services will be responsible for documenting and implementing the policy change no later than August 15, 2018.

**Gallup McKinley County Schools  
Forensic Audit Consulting Procedures  
Schedule of Findings and Responses**

**2018-004 Weaknesses in the Design and Implementation of Related Party Policies**

*Condition:* During our procedures, we noted the following:

- There does not appear to be clarity in the current policies that outlines what constitutes allowable fundraising given the high potential of conflicts of interest that may arise.
- There does not appear to be sufficient training that occurs surrounding fundraising and solicitation of funds from management that could create situations or scenarios that would be unallowable or require disclosure.
- There does not appear to be sufficient communication and training to the employees of GMCS that clearly communicates there are policies that surround related parties and that any potential circumstances should be brought to the attention of management immediately.

*Criteria:* 10-16-3 NMSA. "Ethical principles of public service; certain official acts prohibited; penalty". States the following:

- A. A legislator or public officer or employee shall treat the legislator's or public officer's or employee's government position as a public trust. The legislator or public officer or employee shall use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests.
- B. Legislators and public officers and employees shall conduct themselves in a manner that justifies the confidence placed in them by the people, at all times maintaining the integrity and discharging ethically the high responsibilities of public service.
- C. *Full disclosure of real or potential conflicts of interest shall be a guiding principle for determining appropriate conduct. At all times, reasonable efforts shall be made to avoid undue influence and abuse of office in public service.*
- D. No legislator or public officer or employee may request or receive, and no person may offer a legislator or public officer or employee, any money, thing of value or promise thereof that is conditioned upon or given in exchange for promised performance of an official act.

*Effect:* GMCS employees are not aware of the proper methods to fundraise and what scenarios that would give rise to making it mandatory to disclose fundraising activities to management. In addition, all potential methods to mitigate the risk of undisclosed related parties were not fully utilized.

*Cause:* The lack of clarity of fundraising policies and training surrounding related parties has led to the circumstances included in this report and there are questions surrounding the procurement transaction cycle.

*Accountants' Recommendations:* We recommend that GMCS design and implement clear fundraising policies and training for all GMCS staff, including extra-curricular activity program leaders. In addition, we recommend that GMCS perform a District-wide training over conflicts of interest and related parties to clearly communicate the District's policies and the proper chain of command when disclosing potential concerns surrounding the procurement process.

**Gallup McKinley County Schools  
Forensic Audit Consulting Procedures  
Schedule of Findings and Responses**

**2018-004 Weaknesses in the Design and Implementation of Related Party Policies  
(continued)**

*Agency's Response:* Gallup-McKinley County Schools implemented a Fundraising Handbook in July of 2018. The District will train all Administrators, Athletic Directors and Secretarial staff about restrictions on related party transactions. Each training will document the training and all participants will sign that they have received the training. This training will be provided no less than annually each year after the initial training. The first training will be provided no later than August 15, 2018 and subsequent trainings will be provided at GMCS administrative, Athletic and secretarial conferences. The Assistant Superintendent of Business Services will be responsible for providing this training and assuring appropriate documentation is retained regarding this training.



**Gallup McKinley County Schools  
Forensic Audit Consulting Procedures  
Exit Conference and Disclaimer**

**Exit Conference**

This report was presented and accepted by management of GMCS.

**Disclaimer**

We are not attorneys and are not a law-enforcement agency or prosecuting officer. We do not have the authority to subpoena records or authority to subpoena witnesses to testify under oath. We are a private accounting firm conducting a forensic consulting service with a limited scope based on information voluntarily provided by the subjects of the consulting engagement. Because this is a narrow scope with limited information, this report is intended only to raise potential fraud waste, or abuse, as well as potential non-compliance (or violations of) with laws, regulations, and contracts in connection with the financial affairs of GMCS.

We cannot conclude on the guilt or innocence of any party included in this report. We cannot and do not purport to be able to establish beyond a reasonable doubt whether any violations occurred. Importantly, these allegations of potential fraud, waste, or abuse and/or potential violations of state statute or GMCS policies in connection with financial affairs will require further investigation by relevant offices beyond our authorities. We do not draw legal conclusions and, raise the matters mentioned for consideration and investigation by appropriate authorities. Exercising our professional judgment and erring on the side of transparency and disclosure, we are identifying these risks to GMCS and the New Mexico Office of the State Auditor, so they can determine whether further appropriate investigation is warranted.

**Gallup McKinley County Schools  
Forensic Audit Consulting Procedures  
Listing of Exhibits**

**Listing of Exhibits**

Interview of the Director of Support Services, Support Services Director  
Interview of the Procurement and Business Services Director, Procurement and Business Service Director  
Interview of GMCS Buyer, Procurement Buyer  
Interview of Procurement Accounting Technician  
Interview of Network Administrator  
Interview of the owner of Murphy Builders, Owner of Murphy Builders  
Interview of the owner of Advanced Technical Services  
Interview of the SkillsUSA Sponsor, Teacher Miyamura High  
Interview of the President & CEO of Powerline Technologies, Inc  
Interview of the Network Administrator  
Document of Attestation for Program Managers RT  
Document of Construction Procurement Steps  
Document of Murphy On-Call Contract  
Document of FY15 Schedule of Vendors  
Document of FY16 Copy of Combined Templates  
Document of FY17 Combined Electronic Schedule  
Document of Purchasing & Payables Export FY16  
Document of Purchasing & Payables Export FY17  
Document of Purchasing & Payables Export FY18  
Document of Ramah Rescue MH  
Document of Rescue Plumbing & Heating  
Document of Requisition Flow Process  
Document of Documents Provided by Director of Support Services  
Document of GMCS Board Policy  
Document of GMCS Personnel Handbook  
Document of Procurement Handbook  
Document of Powerline Technologies Communications  
Document of Director of Support Services Letter of Concern – Crownpoint HS  
Document of Statement from the owner of Murphy Builders (Murphy Builders)  
Document of Director of Support Services Employment Application