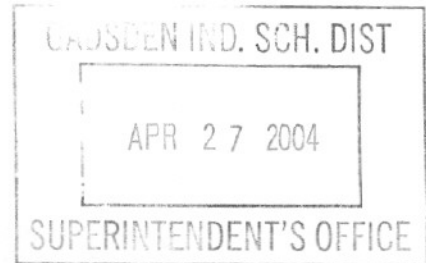




STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
300 DON GASPAR
SANTA FE, NEW MEXICO 87501-2786
Telephone (505) 827-5800
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DR. VERONICA C. GARCÍA
SECRETARY OF EDUCATION

BILL RICHARDSON
Governor

April 23, 2004

Mr. Ronald Haugen, Superintendent
Gadsden Independent School District
P.O. Drawer 70
Anthony, NM 88021

Re: Desk Review of Independent Auditor's Report

Dear Mr. Haugen:

We have completed the desk review of Gadsden Independent School District's Independent Auditor's Report for the year ended June 30, 2003 conducted by Lauterbach, Borschow & Company. Our desk review is conducted pursuant to the Audit Resolution Process established within State Board of Education's Regulation 6 NMSA 2.3.1. The purpose of the review is to monitor the status and final resolution of adverse conditions contained within the independent audit.

Based on our review, we would appreciate a written response on the status and/or resolution of corrective action taken on conditions as outlined within the attachments. Pursuant to the above regulations, your office has 30 days from the date of this letter in which to respond. Please be reminded that the Audit Resolution Process stipulates that responses and/or recommendations toward the resolution of any audit findings contained in the Office of Inspector General's desk review letter must be approved by the local board of education at a legally scheduled meeting. **If board approval cannot be obtained within these 30 days, please submit documentation that your local board has approved the district's response at a later date.**

Your cooperation in this matter is appreciated. If we can be of assistance in this or any other matter, please contact Priscilla Riggs at (505) 827-1809.

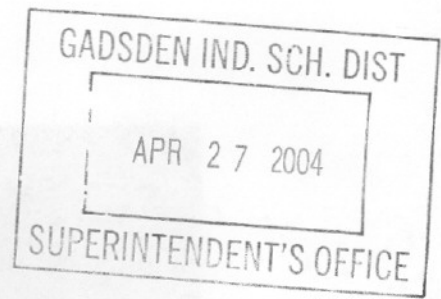
Sincerely,

Priscilla M. Riggs for
Ralph Tapia, CIA, CGFM, Inspector General
Office of Inspector General

RT:pr



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SECRETARY OF EDUCATION

BILL RICHARDSON
Governor

**PUBLIC EDUCATION DEPARTMENT
OFFICE OF INSPECTOR GENERAL
STATUS OF CORRECTIVE ACTION /RESOLUTION REQUEST**

ENTITY: Gadsden Independent School District
AUDIT PERIOD: June 30, 2003
AUDIT FIRM: Lauterbach, Borschow & Companu

Background Information

For your use, the following are definitions of an effective organizational structure and a strong system of internal control, which are essential elements in being in compliance with all relevant laws, rules, and regulations:

An effective organizational structure includes the ability to create and maintain budgets and financial reports, which facilitate the discharge of assigned responsibilities and monitors activities at each level of the organizational structure.

A strong system of internal control includes the operation of a system of checks and balances and requires the safeguarding of an organization's assets. This system is implemented by checking the accuracy and reliability of accounting data and the adherence to prescribed managerial policies, as well as federal and state requirements.

Repeated Prior Year Finding(s)

N/A

Current Year Finding(s)

Please provide us with the corrective action taken and/or the requested documentation to ensure that the Gadsden Independent School District is in compliance with all relevant laws, rules and regulations.

Finding #IC 03-01 AND PAGE #154 Independent Auditor's report - Lack of Controls over Manual Checks.

Corrective Action request:

Please provide us with the status on the procedures the district will be implementing by June 2004. In addition, please indicate what steps the district is taking to ensure that this type of finding does not recur in the future.

Finding #IC 03-02 AND PAGE #155 Independent Auditor's report - Lack of Controls over Access to Software.

Corrective Action request:

Please provide us with the status on the procedures the district will be implementing by June 2004. In addition, please indicate what steps the district is taking to ensure that this type of finding does not recur in the future.

Finding #IC 03-03 AND PAGE #156 Independent Auditor's report - Lack of Controls over Inventory.

Corrective Action request:

Please provide us with the status of the written instructions the district has developed for the physical counts of inventory. In addition, please indicate what steps the district is taking to ensure that this type of finding does not recur in the future.

Finding #IC 03-04 AND PAGE #157 Independent Auditor's report - Authorized Vendor List.

Corrective Action request:

Please provide us with the status on the procedures the district will be implementing by June 2004. In addition, please indicate what steps the district is taking to ensure that this type of finding does not recur in the future.

Finding #IC 03-05 AND PAGE #157 Independent Auditor's report - Safeguarding of Documents.

Corrective Action request:

Please provide us with the status on the procedures the district will be implementing by June 2004. In addition, please indicate what steps the district is taking to ensure that this type of finding does not recur in the future.

Finding #IC 03-06 AND PAGE #158 Independent Auditor's report - Accounts Payable Controls.

Documents.

Corrective Action request:

Please provide us with the status on the procedures the district will be implementing by June 2004. In addition, please indicate what steps the district is taking to ensure that this type of finding does not recur in the future.

Finding #IC 03-07 AND PAGE #150 Independent Auditor's report - Cash Management.

Documents.

Corrective Action request:

Please provide us with the status on the procedures the district will be implementing by June 2004. In addition, please indicate what steps the district is taking to ensure that this type of finding does not recur in the future.

Finding #FA 03-01 AND PAGE #158 Independent Auditor's report - Title I - IASA CFDA #84.010.

Documents.

Corrective Action request:

Please provide us with the status on the reconciliation of cash with SDE. In addition, please indicate what steps the district is taking to ensure that this type of finding does not recur in the future.

Finding #FA 03-02 AND PAGE #159 Independent Auditor's report - Title I Grants to Local Educational Agencies - CFDA #84.010; Special Education Grants to States/Special Education Preschool Grants - CFDA #84.010/84.173; Improving Teacher Quality State Grants - CFDA #84.367.

Documents.

Corrective Action request:

Please provide us with the status on the procedures the district has implemented. In addition, please indicate what steps the district is taking to ensure that this type of finding does not recur in the future.