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FINAL REPORT

SUBJECT: Addendum to Report 24-0122-C

On April 9, 2025 the Accountability in Government Oversight Committee (AGOC) approved three (3) reports and deferred six (6) reports. Shortly after, the AGOC requested and hired an outside firm, REDW, to conduct a Standards Assessment on all nine (9) reports.

The Office of Inspector General (OIG) has reviewed the Quality Standards Assessment, which should follow the Green Book standards for Inspectors General, and the issues identified by REDW in its assessment. The OIG concurs with certain issues noted and has subsequently made adjustments to internal processes to address them.

Due to the external review by REDW and the length of time that has passed, the OIG has made the decision to re-review each report to verify accuracy and incorporate any necessary updates. To ensure transparency and preserve the credibility of the OIG, the original reports will remain intact from the former Inspector General's reports. Any follow-up information will be provided through an addendum appended to each applicable report.

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PETER PACHECO
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January 7, 2026
Date of Completion

Signed by:
[Signature]
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ESTEBAN A. AGUILAR, JR., ESQ.
ACCOUNTABILITY IN GOVERNMENT
OVERSIGHT COMMITTEE VICE-CHAIRPERSON

2/19/2026 | 6:38 PM MST

Date of Approval

AUTHORITY AND DEFINITION

The Office of Inspector General's mission is to promote a culture of integrity, accountability, and transparency throughout the City of Albuquerque to safeguard and preserve public trust. Investigations, inspections, evaluations, and reviews are conducted following Association of Inspectors General Standards.

City Ordinance 2-17-2 states the “Inspector General's goals are to (1) Conduct investigations, inspections, evaluations, and reviews in an efficient, impartial, equitable, and objective manner; (2) Prevent and detect fraud, waste, and abuse in city activities including all city contracts and partnerships; (3) Carry out the activities of the Office of Inspector General through independence in both fact and appearance, investigation and interdiction; and (4) Propose ways to increase the city's legal, fiscal and ethical accountability to ensure that tax payers' dollars are spent in a manner consistent with the highest standards of local governments.”

As defined in the Inspector General Ordinance § 2-17-3, “fraud is the knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment. Waste is the thoughtless or careless expenditure, mismanagement, or abuse of resources to the detriment of the City. Abuse is the use of resources or exercise of authority contrary to rule or policy, or knowingly inconsistent with any established mission or objectives for the resource, or the position held by the person exercising the authority. Abuse does not necessarily involve fraud or illegal acts.”

Investigative Informative Case Synopsis was completed on November 16, 2024 and presented to the AGOC on April 29, 2025 where it was heard and deferred.

Allegations:

On April 30, 2024, the OIG received a complaint alleging that the Environmental Health Department (EHD) allocates 100% of the Associate Director's (AD1) payroll to federal fund 242 Environmental Protection Agency (EPA) Title V, meaning AD1's full salary is being charged to the Title V fund. AD1 oversees two divisions, one federal and the other non-federal.

Procedures Performed:

- **Review of Original Report:** A review of the original report was conducted to identify the facts previously gathered.
- **Review of Previously Collected Data:** Prior data collected for the original report was examined to develop an understanding of the information already obtained.
- **Review of Approved Budget for Fiscal Year 2025:** Reviewed to gain an understanding of the fund.
- **Review of Ordinance § 9-5-1-13 Local Air Quality Permit Fund:** Review to gain an understanding of the fund.
- **Review of Fiscal Year 2025 Annual Comprehensive Financial Report (ACFR) – Air Quality Fund 242 (Page 135):** The FY2025 ACFR was reviewed to assess the revenue sources for Fund 242 to determine if Fund 242 contained any federal funding.
- **Contact with Department of Finance and Administration Director:** The Director was contacted to request information to gain a better understanding of Fund 242 and labor distribution along with other pertinent information to help the OIG address the allegation correctly.
- **Contact with Environmental Health Department Director:** The Director was contacted to obtain clarification regarding the programs, revenue sources, and funding structure associated with Fund 242, as well as the relationship between these elements and EPA Title V requirements. Additional inquiries were made concerning the fund utilized to pay AD1's salary. The Director was also consulted to provide information on the current Associate Director's labor distribution and to outline any processes developed following the department's review of the original report findings, recommendations, and departmental responses.

Evidence:

- **Fund 242 Air Quality Fund:** Fund 242 is not federally funded. Fund 242 supports two programs: (1) the Operating Permits Program, which includes the EPA Title V program, and (2) the Vehicle Pollution Management Division (VPMD). Revenues are collected from a variety of sources, including permit and emission fees for stationary sources under the Operating Permits Program and items such as inspector certifications under VPMD. All revenues collected in Fund 242 are restricted to the fund and must be used solely to support

the operation of these programs (Section 74-2-16 NMSA 1978 and § 9-5-1-13). While Title V activities are funded within Fund 242, the fund as a whole is not limited to Title V.

- Fiscal Year 2025 Budget – Air Quality Fund 242** (Page 65): Title V of the Clean Air Act requires inspection of major contributors of air pollution and also requires that the entities being inspected bear all the costs. The Vehicle Pollution Management Division (VPMD) administers the motor vehicle inspection/maintenance program with the express purpose of reducing carbon monoxide from motor vehicles. The operating permits program regulates the operations of industrial and commercial sources of air pollutants, administers the fugitive dust program as required by Air Quality Control Board regulations and provides technical consultation as it relates to the permitting application. The Air Quality Fund, an umbrella for VPMD and Title V of the Clean Air Act, provides the mechanism for these programs. Revenues for the Air Quality Fund are derived from station permit fees, inspector certification fees, certified paper sales, operator permit fees, asbestos notification, and dust permits.
- Fiscal Year 2024 Revenues and Expenditures:** The below is to show that there was no funding or revenue from federal funds to Fund 242, Air Quality Fund.

CITY OF ALBUQUERQUE, NEW MEXICO
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - AIR QUALITY FUND
 YEAR ENDED JUNE 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget- Over/Under
REVENUES				
Licenses and permits:				
Authorized vehicle inspection fees	\$ 25,000	\$ 25,000	\$ 25,050	\$ 50
Certified vehicle inspection fees	7,000	7,000	5,695	(1,305)
Certified vehicle paper sales	1,100,000	1,100,000	1,220,368	120,368
Dust permits	342,000	342,000	392,775	50,775
Title V operating permits	885,000	885,000	838,364	(46,636)
Air quality permit fees	739,000	739,000	1,168,257	429,257
Asbestos notification	38,000	38,000	25,594	(12,406)
Air quality notification	89,000	89,000	193,314	104,314
Miscellaneous	—	—	6,026	6,026
Investment income/(loss)	—	—	237,250	237,250
Total revenues	<u>3,225,000</u>	<u>3,225,000</u>	<u>4,112,693</u>	<u>887,693</u>
EXPENDITURES				
Title V operating permits	2,633,000	2,725,000	2,517,812	207,188
Vehicle inspections	1,383,000	1,383,000	1,174,581	208,419
Indirect overhead	316,000	316,000	228,975	87,025
Total expenditures	<u>4,332,000</u>	<u>4,424,000</u>	<u>3,921,368</u>	<u>502,632</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,107,000)</u>	<u>(1,199,000)</u>	<u>191,325</u>	<u>1,390,325</u>
Net change in fund balances	<u>\$ (1,107,000)</u>	<u>\$ (1,199,000)</u>	<u>191,325</u>	<u>\$ 1,390,325</u>
Fund balances, July 1			<u>3,603,479</u>	
Fund balances, June 30			<u>\$ 3,794,804</u>	

- Requests for information:** Environmental Health Director and Director of Department of Finance and Administrative Services (Subject matter experts)

- **Review of Labor Distribution for AD1:** The OIG reviewed 42 pay periods for AD1 beginning April 5, 2024 through November 28, 2025. For all but 2 pay periods, November 15, 2025 and November 28, 2025, AD1’s salary was charged to Fund 242. For the two pay periods AD1’s salary was charged to both fund 110 and fund 242. (NOTE: AD1 was hired as Associate Director on April 6, 2024. On July 27, 2024 AD1 was promoted to Deputy Director.)
- **Review of Labor Distribution direct reports to AD1 during time period reviewed:** During the allegation period reviewed AD1 supervised 14 employees as associate director.
- **Review of Organizational Charts Provided by EHD Director:** The OIG reviewed Organizational Charts dated April 3, 2024; April 22, 2024; and October 30, 2025.
- **Subject AD1:** AD1’s hire date was April 6, 2024. OIG received the complaint April 30, 2024.

Note: To remain within the scope of this investigation, the OIG determined that the 2021 Environmental Protection Agency report referenced in the original report was not relevant to the matters under review and, therefore, was excluded from the analysis.

DFAS Director (DFAS 1) Communication:

DFAS 1 was asked to provide documentation regarding the EHD staff positions reporting to AD1, as well as the percentage of payroll costs allocated to federal funding sources. In response, DFAS 1 provided the labor distribution record for AD1 and reported that AD1 was charged 100 percent to Fund 242 from April 19, 2024, through November 1, 2024 (time of original report data). DFAS further noted that Fund 242 does not contain federal funding and that AD1 was not paid from federal sources during the period reviewed.

Given the time elapsed between the original report and this addendum report, DFAS 1 was asked to provide AD1’s labor distribution records from November 15, 2024 to November 28, 2025 for further review.

DFAS 1 also provided labor distribution data for 14 employees who report directly to AD1. Of these 14 positions, 6 were charged to federal funding sources. DFAS additionally provided links to the City’s Annual Comprehensive Financial Reports for further review of revenue information related to Fund 242, which consists of two programs: Operating Permits and Vehicle Pollution.

EHD Director (EHD 1) Communication:

EHD 1 was asked if Fund 242 contained any federal funds. EHD 1 replied that Fund 242 is not federally funded.

EHD 1 was further asked to detail the revenues collected for Fund 242 and any applicable policies governing Fund 242 at the city, state, or federal level, including the EPA Title V program.

In response, EHD 1 replied, Pursuant to Sections 107 and 110 of the federal Clean Air Act (42 U.S.C. §§ 7407–7410), the U.S. Environmental Protection Agency (EPA) establishes national ambient air quality standards and delegates primary implementation and enforcement authority to states through approved State Implementation Plans (SIPs). Within New Mexico’s SIP, the

Albuquerque-Bernalillo County Air Quality Control Board and the City of Albuquerque's Environmental Health Department (EHD) are recognized as a local agency with primary responsibility for administering and enforcing air quality programs within Bernalillo County.

EHD 1 further stated that the City's authority to establish and manage a dedicated air quality permit fund—Fund 242—is further supported by Albuquerque City Ordinance § 9-5-1-13, enacted pursuant to NMSA 1978, § 74-2-16. Although the program operates under federal authorization through the Clean Air Act, the revenues are locally generated and not federally sourced.

Fund 242 supports two programs: (1) the Operating Permits Program, which includes the EPA Title V program, and (2) the Vehicle Pollution Management Division (VPMD). Revenues are collected from a variety of sources, including permit and emission fees for stationary sources under the Operating Permits Program and items such as inspector certifications under VPMD. All revenues collected in Fund 242 are restricted to the fund and must be used solely to support the operation of these programs. While Title V activities are funded within Fund 242, the fund as a whole is not limited to Title V.

EHD 1 was asked since the original report, has EHD taken corrective steps in allocating salaries to the correct funds on duties being performed by employees to which EHD replied; "Yes. EHD has implemented a time-tracking spreadsheet that allows Air Quality employees to document the proportion of time spent across Fund 242. This information is used to ensure that salary allocations align with the actual duties performed and that expenditures are charged to the appropriate funding sources. The current Associate Director position is allocated across both programs in Fund 242 and Fund 110, based on the programs they oversee."

EHD also stated that "Manually maintaining this level of detail in a spreadsheet is inherently cumbersome and increases the likelihood of timekeeping errors such as the one already corrected. A modernized timekeeping system with integrated labor-allocation functionality would significantly reduce the risk of similar issues; however, implementing such a system is beyond EHD's operational capacity. We are working to streamline the existing process to reduce administrative burden, including adjusting percentage allocations based on completed workload and reporting by the employees."

EHD 1 was asked to explain why AD1's salary was charged entirely to Fund 242 during the four months that AD1 was the Associate Director when AD1 supervised 14 employees whose salaries were funded by Funds 110, 242, and 265. EHD 1 responded that the four-month period in which AD1 served as Associate Director was a transitional and fluid period for the department, during which supervisory responsibilities and workloads were being realigned. Because reporting structures shifted throughout that period, it was not feasible or appropriate to adjust AD1's labor distribution. At no point did AD1 directly supervise more than two individuals funded by 110.

EHD 1 additionally noted that Fund 265 is a federal grant that supports Air Quality Monitoring and Enforcement operations, and the Associate Director position was not included in its approved budget. As such, no portion of the Associate Director's salary could be charged to Fund 265, as it would be inappropriate to do so. Fund 242 is the appropriate and allowable funding source for any oversight of Air Quality's Fund 265 activities. While Fund 242 is not federally funded, its scope and structure allow it to house and support activities associated with the federally funded Air Quality Monitoring and Enforcement Group.

EHD 1 also provided an organizational chart dated October 30, 2025, along with the labor distribution records for the Associate Director hired to replace AD1, who was promoted to Deputy Director. A review of the new Associate Director's labor distribution shows that the position is now allocated between Fund 242 and Fund 110, reflecting oversight of two divisions supported by those funding sources.

AD1 Communication:

AD1 was asked if they still managed the Human Waste Clean Up Program run by the City. AD1 replied that AD1 still oversees the operation. AD1 was also asked what funding stream do you charge that time to? AD1 replied that the funding stream charged is fund 110.

After communication with AD1, the OIG researched the City Cognos system for the labor distribution reports for AD1. The OIG was able to verify only 2 pay periods, November 11, 2025 and November 28, 2025, in which labor distribution for AD1 was charged to Fund 110/5614000/520585 as well as fund 242. This was also verified through a labor distribution data received from the DFAS 1.

To verify AD1's labor charges to fund 110, the OIG sent communication to AD1 and EHD 1 requesting all documentation and labor distribution data from AD1's date of hire to present for the funding stream 110/5614000/520585 as stated in the prior communication.

EHD 1 replied that the EHD Fiscal Manager worked on the OIG request and it was determined that approximately 2.5% of AD1's time is attributable to oversight of the Human Waste Clean Up Program. AD1's labor distribution has been corrected to reflect a 2.5% charge to Fund 110 for Pay Period beginning 12/13/2025. A journal entry will be processed to reclassify \$2,216 of his salary to Fund 110 for the current fiscal year and \$6,312.50 to Fund 110 for the prior fiscal years to correct this timekeeping allocation error. EHD 1 also provided AD1's labor distribution and the supporting documentation for the journal entries.

EHD1 has instructed the fiscal team to continue the allocation as long as AD1 has oversight over the program.

Conclusion:

The following reflects the two initial findings reported in the OIG's original report dated November 16, 2024:

1. AD1's salary is not allocated based on their oversight responsibilities.

While AD1's labor distribution was ultimately corrected, the Environmental Health Department did not initiate corrective action to address the timekeeping allocation to Fund 110 until prompted by the OIG's inquiry conducted as part of this addendum report. Therefore, the finding is **substantiated**.

2. AD1 is paid solely from the EPA Title V Fund 242/5615000 which could result in an overstatement of expenditures charged to the federal funds.

The OIG was unable to substantiate that AD1's compensation being charged to Fund 242 resulted in an overstatement of expenditures charged to federal funds, as Fund 242 does not contain federal funding. The finding is **retracted**.

Note: The OIG also notes that AD1 began employment with the City on April 6, 2024, and the complaint was received on April 30, 2024. At the time the complaint was submitted, AD1 had been employed by the City for approximately 24 calendar days and had completed only one full pay period.

A full investigation was conducted and is addressed in this addendum. However, the OIG notes that, given the limited duration of AD1's employment at the time of the complaint, the concerns raised in the original investigation may have been more appropriately addressed through direct communication with the Environmental Health Department Director, which would have afforded the department an opportunity to review and, if necessary, correct the issue at an early stage.

Finding:

- Improper and Inconsistent Labor Cost Allocation to Fund 242

AD1's labor costs were not consistently or accurately allocated to Fund 110 prior to corrective action, resulting in improper cost allocation to Fund 242.

Recommendation:

- The Office of Inspector General recommends that the Environmental Health Department implement and document procedures to ensure labor costs are allocated accurately and consistently across all applicable funding sources. This should include periodic reviews of employee labor distributions, supervisory certification of timekeeping allocations, and timely adjustments when job duties change. Additionally, management should ensure that corrective actions related to labor allocation errors are initiated proactively and not solely in response to external inquiries or audits.

Department Response to Findings and Recommendations:

The Environmental Health Department is in receipt of the addendum report for investigation 24-0122-C. As stated in the management response dated 03/14/2025, the intent for the associate director's position was to focus on tasks related to the air quality program.

A short time later, the department's needs evolved, and the associate director's responsibilities were changed. He was then tasked with oversight of employees both within and outside the air quality program. The number of air quality employees outnumbered those outside the program.

The funding for this position was allocated at the end of FY25, consistent with the department's operational needs at the time. Historical changes have been made to reflect the proper percentages attributed to each program source for the applicable periods. To ensure accuracy, EHD is now tracking employee time through spreadsheets. Because the current process lacks efficiency, EHD

is evaluating proprietary software to accomplish the time tracking process in the most efficacious manner available.

EHD does note and agrees, as stated in the summary report, “*However, the OIG notes that, given the limited duration of ADI’s employment at the time of the complaint, the concerns raised in the original investigation may have been more appropriately addressed through direct communication with the Environmental Health Department Director, which would have afforded the department an opportunity to review and, if necessary, correct the issue at an early stage*”.

EHD also questions the validity of initiating an investigation through the Inspector General. The allegation does not constitute elements of fraud, waste, or abuse. The fiscal error which lead to the allegation was more appropriately addressed by the Office of Internal Audit.