

UPDATED: Socorro Electric Cooperative Managers Borrowed From Employee Pension Plans

Journal Staff

Co-op's general manager and office manager-accountant are on administrative leave without pay while an investigation is being conducted

SOCORRO — The investigation into allegations of financial irregularities at Socorro Electric Cooperative is ongoing and a few new details have emerged recently.

Co-op President Paul Bustamante told El Defensor Chieftain on Friday (Aug. 20) that the irregularities in question involve money being borrowed from employee pension plans.

While the investigation is being conducted, two co-op managers — general manager Polo Pineda Jr. and office manager-accountant Kathy Torres — have been placed on administrative leave without pay.

Bustamante said the co-op allows employees to borrow money from their 401K plans.

“It’s a practice that has been done in the past; it’s not anything new,” he said. “Other co-ops do it. In this case they borrowed, but may not have had the money (to pay it back) so it wasn’t paid in a reasonable amount of time.”

Bustamante said employees are required to pay back the fund within 30-35 days. The total amount that was borrowed between the two of them was in the neighborhood of \$35,000, he said.

The co-op president said the money was borrowed in April or May 2009 — soon after the end of the co-op’s fiscal year, which ends March 31 each year. The money may not have been paid back until July of this year.

Whether it had or not is one of the things being investigated.

“We’ve seen the reconciliation sheet that says that it was paid. But, of course, there needs to be a receipt,” he said.

Bustamante said receipts may exist, but he hasn’t seen them and many of the financial documents related to the case have been secured.

“We may have to have another forensic audit done. That’s something I’ll bring up at Wednesday’s meeting,” he said.

The co-op’s board of trustees’ regular meeting is scheduled for Wednesday (Aug. 25) at 5:30 p.m. A special meeting to hear the auditor’s report for fiscal year ending 2010 is set for the same time the following day.

Excerpts from Socorro Electric’s audits for fiscal years ending in 2008 and 2009, conducted by the accounting firm of Bolinger, Segars, Gilbert and Moss of Lubbock, Texas, are posted on the co-op’s website.

Bustamante said no discrepancies were revealed in the audit for fiscal year ending 2009, but the money borrowed by Pineda and Torres would not have turned up on that audit.

Bustamante appointed a committee made up of five members of the board of trustees to investigate the allegations after an anonymous letter was mailed to members of the board last month. Committee members have been investigating the allegations since then, and have met several times to discuss their findings and how to proceed during the process.

Bustamante said co-op attorney Dennis Francish has been directed to contact law enforcement agencies.

Francish said in an Aug. 20 phone interview that he had written a letter to District Attorney Clint Welborn, contacted New Mexico State Police and delivered documents to the FBI.

"Whether they want to do anything with it or not, I don't know," Francish said.

Bustamante said that on Thursday (Aug. 19) a field representative with the Rural Utility Service — a division of the United States Department of Agriculture from which electric utilities obtain loans — was in Socorro and met with the investigative team. The representative left a 15-page checklist of items to be looked into, he said.

Bustamante said the committee was still going through records and he wasn't sure where the investigation would lead next.

"This is all new to us," he said. "We have to gather the information and at that point decide the next step."

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SOCORRO — Socorro Electric Cooperative's general manager and office manager-accountant have been placed on administrative leave without pay while an investigation into "financial irregularities" is being conducted.

Polo Pineda Jr. has served as general manager since 2003. Kathy Torres has been with the co-op in an administrative capacity for 22 years.

The action came following a two-hour special meeting of the board of trustees addressing personnel matters on Friday night (Aug. 13).

A statement issued by the trustees on that date read: "A committee was appointed by the President of Socorro Electric Cooperative to investigate certain financial irregularities reported under the whistle blower policy of the cooperative.

"Two SEC employees have been placed on unpaid leave for an indefinite period while the investigation proceeds."

Co-op President Paul Bustamante appointed a committee to look into the matter three weeks ago, after an anonymous letter written on company stationery and mailed using the co-op's postage meter was sent to the individual trustees.

Pineda did not return phone calls to El Defensor Chieftain on Monday and Tuesday. Torres could not be reached for comment.

According to IRS 990 forms, Pineda earned a salary of \$102,151 in 2008 and another \$35,990 in estimated

compensation from the organization and related organizations.

Torres' salary could not be verified by Chieftain press time on Tuesday.

Trustees Donald Wolberg and Luis Aguilar serve as chairman and co-chairman, respectively, for the inquiry committee. They said in an interview on Monday (Aug. 16) that they've probably spent 120 hours investigating the allegations, examining records and conducting interviews with employees.

"The purpose of the committee is to continue to work to understand what happened — and what may have happened — and to make sure it doesn't happen again," Wolberg said, and added that he couldn't be too specific about what kind of irregularities were being investigated. "We don't want to violate anyone's rights, or impair the integrity of the process, because we're not done. We're doing everything we possibly can to ensure we take a reasonable, rational and lawful approach."

"True or not, it's the responsibility of the committee to make sure everything is done correctly and to determine if (the allegations) are true or not," added Aguilar.

The committee is also made up of trustees Leroy Anaya, Leo Cordova and Prescilla Mauldin. As president, Bustamante sits on the committee ex-officio.

Over the weekend, security guards were stationed outside the co-op office on East Manzanaras Street.

"The building was secured to preserve the integrity of records and documents and to make sure they're being taken care of," Wolberg said.

Wolberg said the co-op wanted to be as forthcoming it could about the matter to suppress the rumor and innuendo that was going around. He wanted to make sure member-owners and employees knew that the matter was being addressed and that there would be no disruption in co-op operations.

"The board feels that members are entitled to reporting and candor surrounding this matter and that's the responsibility of the committee," he said. "The members have to be taken care of first."

In the meantime, co-op management has undergone a shift. Operations Manager Richard Lopez moves over to fill the role as general manager and Line Superintendent David Montoya fills Lopez's position.

Administrative Assistant-Payroll Clerk Eileen Latasa is now doing the duties of office manager, while Senior Billing Clerk Frances Herron has taken over accounting. Supervisor of Engineering Services Sophie Chavez steps in to fill Montoya's role.

Wolberg pointed out that all of them have been with the co-op for many years.

"We have great confidence in their abilities. Our main concern is for a seamless transition," he said.

Wolberg said the committee is sensitive to the concerns of the 36 or so employees.

"The priority is members have to be taken care of first, then the employees to make sure they are secure, safe and appreciated," he said, adding that he appreciated the cooperation and frankness exhibited by employees during the investigation.

The management shake up is a new gyration in what are turbulent times for the Socorro co-op.

In April, member-owners passed a bevy of new bylaws aimed at reforming the way the co-op goes about its business. The board of trustees later decided to challenge in district court three of the bylaws that address transparency of governance. In order to do so, the co-op filed a lawsuit against "all unnamed members of the Socorro Electric Cooperative Inc.," which includes approximately 13,000 member-owners.

The matter is still pending.

Last month, Kathy Torres filed papers with the Equal Employment Opportunity Commission claiming sexual and racial discrimination against trustee Charlie Wagner, a leader in the reform movement.

Amongst other things, she claimed that Wagner accused her of committing fraud.

Trustee Aguilar said an air of anxiety and discomfort has lingered in the co-op offices as a result of all the turmoil. He's hopeful that will soon be dispelled.

"I truly believe this is an opportunity for the Socorro Electric Cooperative to continue to move forward and improve," he said.

Suggested Reading:

- [Socorro Electric Cooperative Investigates 'Financial Irregularities'](#)
 - [Las Vegas, N.M., Official New GM of Mora-San Miguel Electric Cooperative](#)
 - [Updated at 7:50am — Socorro Man Bound Over for Murder Trial](#)
 - [UPDATED: 3 dead in crash near Socorro](#)
 - [11:05am — 2 Fatal Drug ODs Reported in Socorro Area](#)
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