

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

Montessori Elementary School

2016-001 Budgetary Condition – (Compliance)

CONDITION: The School had a fund where actual expenditures exceeded budgetary authority:

Special Capital Outlay – State (Fund 31400)	
Capital Outlay (Function 4000)	\$ 10,135

CRITERIA: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22- 8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts the function is the legal level of control.

EFFECT: The school is out of compliance with State Law and the control established by the use of budgets has been compromised.

CAUSE: A budget adjustment request was never submitted to account for the additional expenditures incurred.

AUDITOR'S RECOMMENDATION: The School should establish a policy of budgetary review at year-end and make the necessary budgetary adjustments.

MANAGEMENT'S RESPONSE: The Schools Audit Committee and Management are aware of the finding and are making changes to address the issue. The condition will be corrected and reviewed on a quarterly basis by Stan Albrycht Director of Finance.

316-002 Cash Management – (Compliance)

CONDITION: The School did not maintain sufficient cash amounts within the General Fund to cover operational and program expenditures. For the year ended June 30, 2016 the General Fund did not maintain enough cash balance to cover program overages of \$(128,783). The HB-33 Capital Improvement Fund had to loan other funds \$128,783 at year end because the General Fund did not have sufficient cash balances at June 30, 2016.

CRITERIA: According to NMAC 6.20.2.14 Cash Control Standards – A, "School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the Office of Management and Budget (OMB) Circular A-102, and applicable state and federal laws and regulations" and NMAC 6.20.2.14 Cash Control Standards-E, "The school district shall verify that there is sufficient cash and budget prior to the disbursement of cash. A revenue ledger is required for each revenue code as approved in the finalized budget, and additional revenue ledgers may be added as necessary."

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EFFECT: Improper cash management may result in the need to finance normal operations. Also, the School was not in compliance with cash control standards as stated in NMAC 6.20.2.14.

CAUSE: The cash balance in the General Fund was not monitored to ensure that it had sufficient cash balances to cover any program overages in other funds.

AUDITOR'S RECOMMENDATION: It is recommended that the School implement policies and procedures to ensure that this situation does not occur in the future. Controls must require the monitoring of cash balances within funds to ensure compliance with state and federal guidelines. Policies and procedures should require the review of budgeted amounts to ensure expenditures do not exceed budgeted amounts and restrictions.

MANAGEMENT'S RESPONSE: The Schools Audit Committee and Management are aware of the finding and Issues that created the condition. We are making changes to address the condition which will be corrected at year end by Stan Albrycht Director of Finance. The funds in question were booked as a receivable and received in July of 2016.