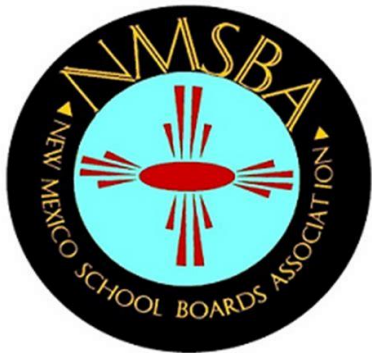


# Finance and Audit Committees



## School Board and Charter School Duties and Responsibilities



NMSBA Annual Conference 2022

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# Training Objective

- Learn how to effectively utilize your Audit Committee and Finance Subcommittee (and stay in compliance with state law).

Any Questions are Welcome throughout the Year:

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# What We Will Cover

- What do you have in place currently?
- What did the Legislature do? What was the intent and what are the requirements you must follow?
- Recognize some obstacles in the process
- Q&A



# Board and Superintendent Finance Responsibilities



## Board

- **§ 22-5-4 NMSA 1978 (2003)**
  - C. Review and approve the annual school budget;

## Superintendent

- **§ 22-5-14 NMSA 1978 (2003)**
  - B(4). Prepare the school district budget, based on the public schools' recommendations, for review and approval by the local school board and the [PED].

# Board Finance and Audit Committees

- Mandated by § 22-8-12.3  
NMSA 1978

## Requires:

- Finance Subcommittee and
- Audit Committee

# Board Finance and Audit Committees

- *NMSA 1978 Section 22-8-12.3*

*Local school board finance  
subcommittee; audit committee;  
membership; duties*

- [https://nmonesource.com/nmos/en/n  
av.do](https://nmonesource.com/nmos/en/n<br/>av.do)

# Board Members' Duties

- Devote sufficient time to reviewing the documents provided by Administration.
- Ask questions for clarification.
- Do not expect to become a finance and budget expert overnight.
- Get an understanding of the “Big Picture” first, then gradually learn about details and specifics.
- Do not just delegate or defer completely to the Administration because “it’s too complicated.”



# Understanding School Finances

- Board members don't need to be CPAs or have MBAs to understand and provide input on school district finances and budget.
- Superintendent and Business Manager have a duty to make finances/budget issues understandable to lay persons.
- Ask for summaries, outlines, charts to make the information easier to grasp.





# Why Did the Legislature Bother?



- Every 5-10 years there is a high-profile case of school finance embezzlement.
- Local Board has final authority and responsibility for the District's budget and finances.
- Communities expect local board to be good stewards of the public purse.

# Board Finance Subcommittee

## Finance Subcommittee:

- At least two Board members shall be appointed. [Other non-Board members may also participate on this subcommittee.]

## Subcommittee Duties: SHALL:

- 1) Make recommendations to the full Board.
- 2) Serve as an External MONITORING committee on Budget and Other Financial Matters.

# Board Finance Subcommittee Cont.

SHALL make RECOMMENDATIONS to the full Board regarding:

a) Financial planning, including *reviews* of the District's or Charter's REVENUE and EXPENDITURE Projections.

b) review of financial statements (balance sheet / income statement / budget to actuals) and periodic *monitoring* of REVENUES and EXPENSES;

c) Annual Budget preparation and *oversight*;

d) Procurement.

# Board Finance Subcommittee Cont.

1) SHALL make RECOMMENDATIONS to the full Board (specifically on the topics on the previous slides).

2) Serve as EXTERNAL MONITORING committee on budget and other financial matters.

- **We know Budget, but what would Other Financial Matters be?**
- **EX) Risk Identification, Insurance, Bonds, Financing, Investments, Cash Accounts, Projections, Lobbying, Legislation, Policies, Operational Efficiencies, Internal Controls, Fraud Prevention and Detection, Grants, Anything In or Related to the Annual Financial Audit Report.**

# Board Finance Subcommittee Cont.

## **REFLECT:**

What was the Legislative Intent?

What is your District/Charter doing to implement this Law?

Is your Finance Subcommittee Effective?

# Board Finance Subcommittee Cont.

## **REFLECT:**

Has your Finance Subcommittee been Monitoring the Budget and Finances?

How many times has your Finance Subcommittee met during SY21-22 (FY22)?

Has your Finance Subcommittee ever made a Recommendation to the full Board?

# Board Finance Subcommittee Cont.

## **ACTION ITEMS:**



Check your Board Policy on process to  
Appoint members

MUST keep member positions filled and Subcommittee active or it is  
an Audit Finding

There is no mention of term limits.

There is no requirement to add other members or Administration.

# Board Finance Subcommittee



## **ACTION ITEMS:**

How do we Implement?

Meetings	Location	Info: Budget, FS
Officers	Agendas	Recommend
Comm Charter	Cooperation	Requests
Minutes	Tasks	Appointments
Reports	Monitoring	Projections



# Audit Committee

Composed of:

- two Board members (or more if Board has more than 5 members)
- one Volunteer member who is a parent of a student
- one Volunteer member with experience in accounting and financial matters.
- The Superintendent and Business Manager are ex-officio (non-voting) members of the committee.

# Audit Committee

Board MUST Appoint:

- There is no mention of term limits for members. Check Board policy.
- Administration does NOT run the Committee. The Superintendent and Business Manager are ex-officio only.



# Audit Committee continued...

## Duties:

- 1) Evaluate RFP [itself] for annual financial audit services [before it is issued].
- 2) Recommend [to Administration and to the **Board of Education**] selection of the District's contract auditor.

- **NOTE** > The CPO may officially approve the final decision, but the recommendation must come from the Audit Committee to the Board. Remember, this Committee advises the Board.

# Audit Committee continued...

Duties:

3) Attend *Entrance* conferences for annual and special audits. **[Ensure there is one held]**

Attend the *Exit* conferences for annual and special audits.

4) Meet with external auditors at least monthly after field work begins, until the audit is completed. **[Interim through Submission (Due Nov 15<sup>th</sup>)]**

# Audit Committee continued...

## Duties continued:

5) Be accessible to external auditors as requested to facilitate communication with the Board and Superintendent.

6) Track and report progress on status of most recent audit **findings**; AND

Advise Board on **policy changes** needed to address audit findings.

# Audit Committee continued...

## Duties continued:

7) Provide other advice and assistance as requested by the Board.

8) Comply with confidentiality requirements as to audit information imposed on Board by State **Audit Act** [NMSA 1978 12-6-1 to 14] and **Audit Rules** of the State Auditor.

# Board Audit Committee Cont.

## **REFLECT:**

What was the Legislative Intent?

What is your District/Charter doing to implement this Law?

Is your Audit Committee Active and Effective?

# Board Audit Committee Cont.

## **REFLECT:**

Has your Audit Committee been Monitoring the Audit Process and Holding Administration Accountable for Clearing Findings?

Did your Audit Committee meet at the entrance/exit and monthly with the auditors during SY20-21 (FY21)?

Has your Audit Committee ever made a Policy or any Recommendation to the full Board?

Has your Board ever asked the Audit Committee to provide any advice or assistance?



# Board Audit Committee



## **ACTION ITEMS:**

How do we Implement?

Meetings	Location	Info: Findings, FS
Officers	Agendas	Recommend
Comm Charter	Communication	Requests
Minutes	Tasks	Appointments
Reports	Monitoring	Projections

## Compliance Issues to Consider (Cont.)

- What additional training should be scheduled to increase the “financial literacy” of all Board members, and the members of the financial and audit committees?

# Audit Committee Continued...

Why else is the Audit Committee important?

- This committee operates in conjunction with Section 22-8-13.1, which imposes sanctions for late audits:
  - State Auditor reports audit not submitted within 90 days of due date, triggering monthly reporting to PED.
  - Audit late between 90-180 days – 5% SEG penalty possible.
  - Audit late between 180-270 days – 7% SEG penalty possible.
  - Audit late more than 270 days – 7% SEG penalty plus suspension of board of finance status.

# Compliance Issues to Consider

## REFLECT

- Is your financial software sufficient to provide data which the Board committees need?
- Are security protections adequate? Has security software been updated/tested recently?
- Are there sufficient “checks-and-balances” built into the system to avoid fraud and embezzlement?
- Should the Board increase the limits on surety bonds provided by NMPSIA, covering those responsible for your financial system? (Current amount of NMPSIA bonds for all school officials – \$250,000.) See Section 22-5-7, which requires surety bond for Board President, Board Secretary and Superintendent in amount of at least \$5,000.
- Recent embezzlements exceeded \$1 million, so a **bond** in the \$1 to \$5 million range makes sense.

# Contact Information



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