



Jvanna L. Hanks II

Gallup-McKinley County Schools

NM School Audit Findings

Tone at the Top

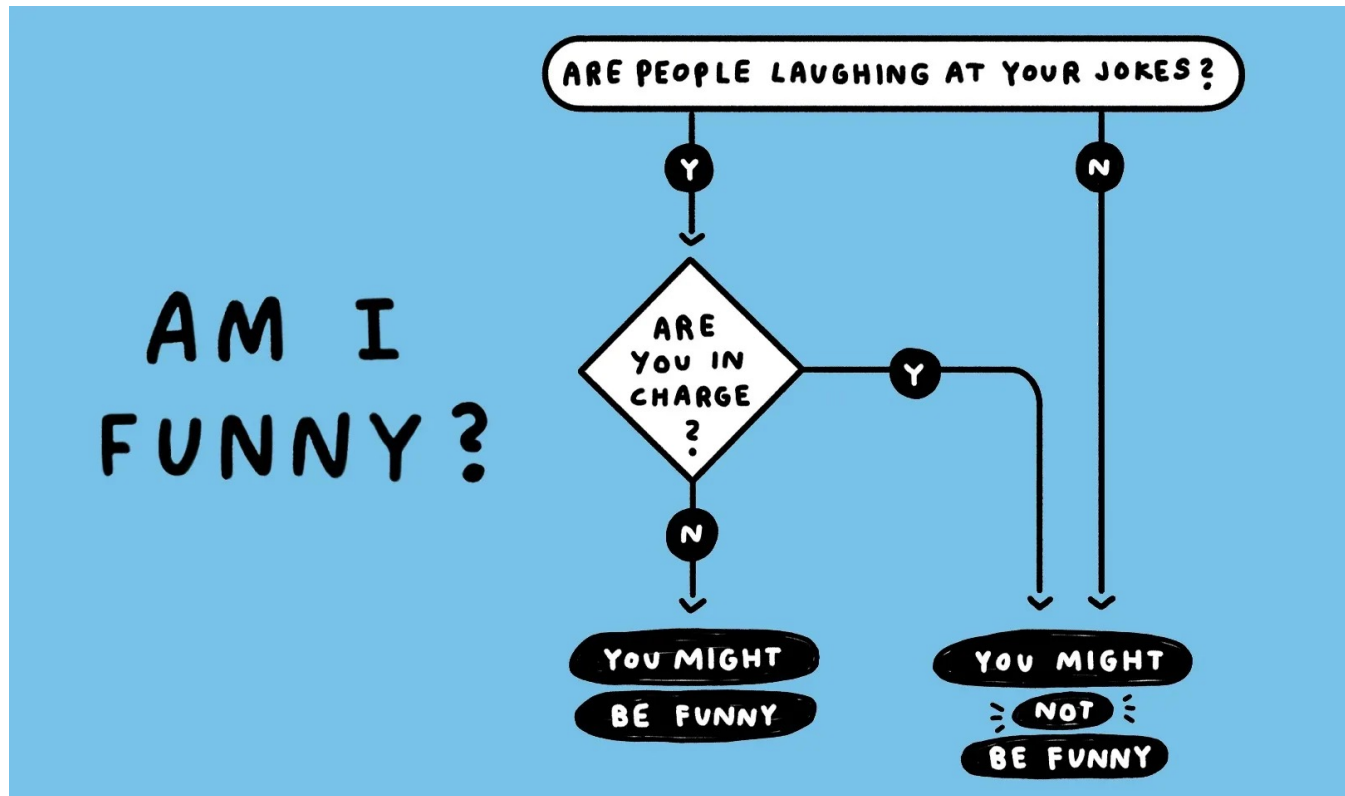
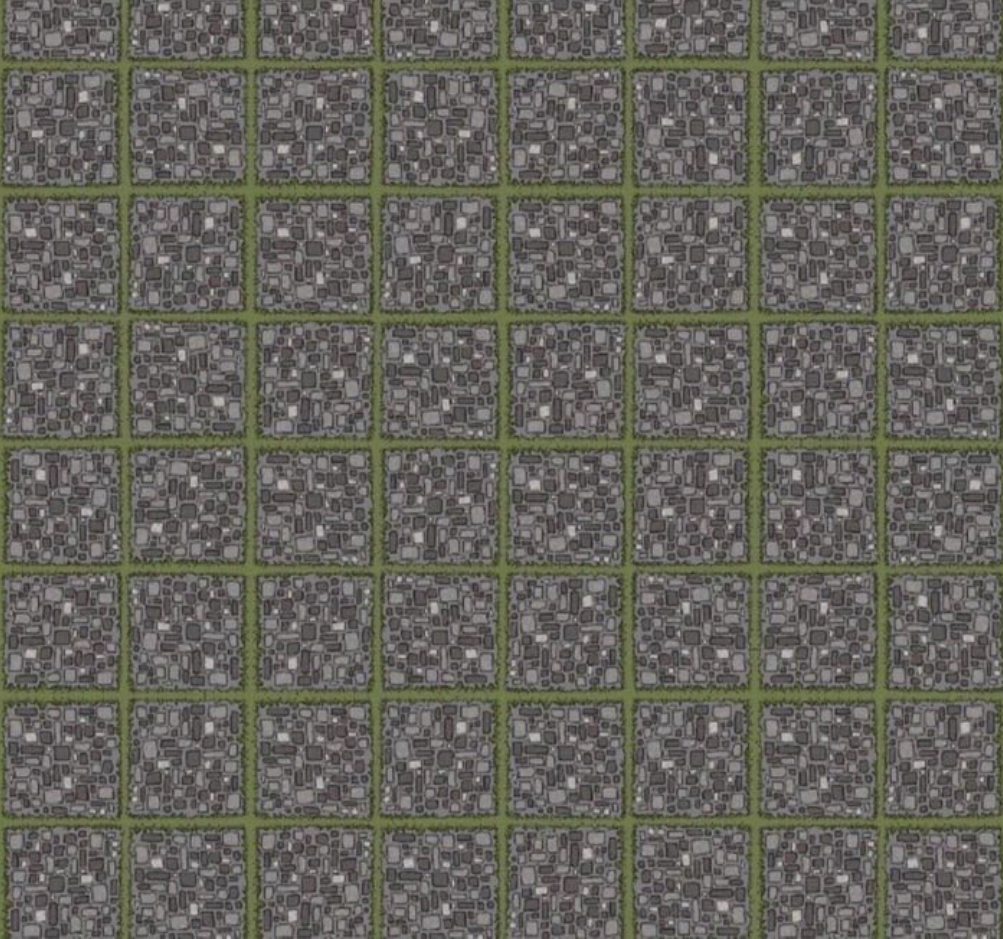


Image: <https://www.gsb.stanford.edu/insights/not-joke-cost-being-humorless>



fine the Problem



Audit Findings

- Why are Audits Necessary?
- What are the purpose of Audit Findings?
 - Exceptionally useful to help refine your internal controls and procedures
 - Findings should be lessons learned.
 - Findings are Warning Signs

- Former New Mexico School District Employee Sentenced to 18 Months in Federal Prison for Stealing and Reselling Apple Products Meant for Native American School Children and for Tax Fraud
- Board member resigns amid embezzlement, fraud allegations
- Middle school secretary accused of stealing money from school fundraisers, yearbook funds
- Former PTO President Accused Of Embezzling \$16K
- 'One or more investigations' underway at Schools
- Former employees and ex-business manager charged with embezzlement
- Entire New Mexico school board suspended, accused of serious violations
- Whistleblower lawsuit alleges timecard fraud, malfeasance
- Audit: Widespread fraud, abuse of 'extra pay' in Public Schools
- Warrant outlines evidence to charge ... with federal crimes
- Schools rescind job offer to principal over undisclosed sexual harassment allegations
- New Mexico teacher placed on leave for allegations of inappropriate contact with students
- Former teacher accused of child sex abuse to remain behind bars
- Former NM teacher sentenced to nearly 200 years for molesting students
- Former New Mexico high teacher accused of 20 sex abuse charges involving student
- Former principal gets 11 years in prison for uploading child porn
 - The New Mexico Public Schools Authority has paid \$33.6 million from 2012 to 2021 to settle 141 claims of sexual abuse and molestation, according to a report by the Legislative Finance Committee. ⁽¹⁾

(1) <https://ladailypost.com/adult-sexual-misconduct-prevalent-in-new-mexicos-public-schools/>

2021 vs. 2022 Audit Findings

- GAO FY2021 Findings Report for Public Schools ¹
- The number of findings has grown from FY21 348 to FY22 469; entities FY 21 101 to FY22 119
- 141 (30%) of these are repeated findings
 - The oldest of these findings originate from 2010

Financial Statement Opinion	(Multiple Items)
Agency Type	Schools
Category of Finding	Number of category
State Law Compliance - Other	91
Budgetary Compliance	51
Payroll and Related Liabilities	50
Financial Reporting	42
Lack of Policies, Procedures or Internal Controls	37
Cash and Investments	32
Procurement	27
Capital Assets	24
Travel and Per Diem	14
Expenditures and Expenses - Other	13
Grant Compliance	13
State Law Compliance - Public Money Act	12
Inventory	11
Revenues and Receivables	10
Late Audit	10
Information Technology	8
Fund Balance and Net Position	6
Expenditures and Expenses - Lack of Documentation	6
Expenditures and Expenses - P Cards and Credit Cards	3
Debt and Debt Service	3
State Law Compliance - Open Meetings Act	2
Expenditures and Expenses - Advance Payments	2
Expenditures and Expenses - Lack of Proper Authorization	1
Payables and Related Liabilities	1
Grand Total	469

Chart data presented is draft and may see slight amendments upon final approval and release of the State Auditors Office.

¹ GAO FY2021 Findings Report: Click [HERE](#)

Cash & Investments


Finding	Practice
Deposits (24 Hour Rule/Receipt Book Inaccuracies/receipts do not reconcile to deposit amount)	<ul style="list-style-type: none"> • Schedule pay times and notify your community and staff. • Consider Cashless • Ensure receipt books are branded, pre-numbered and audited by staff internally • Prior to deposit, ensure receipts are reviewed by someone other than the person creating the deposit and initialed.
Bank/GL Reconciliations (Incomplete, Inaccurate, Not Timely)	<ul style="list-style-type: none"> • Prioritize this activity and be sure that it is completed each month by a specific day. • Communicate this plan with others to ensure timely completion (who initials your reconciliations?) • Seek Training if necessary and remove other barriers to completion.
Inactive Accounts with Balances	<ul style="list-style-type: none"> • Written grant close out procedures. • Audit yourself now to be sure you don't have inactive accounts/long-term due to-due from. • Can overdraw your general fund if grant funds not monitored closely • Take the plunge now – get rid of the old grants this year.
Pledged Collateral	<ul style="list-style-type: none"> • Actively monitor transactions within your accounts and be proactive in talking with banking representative about large/unusual transactions.
Staledated Checks	<ul style="list-style-type: none"> • You should be monitoring your outstanding checks each month to assure that they are not over one year out of date (or sooner if your policy indicates) • Implement Positive Pay and appropriately void checks

Tse Yi Gai High School

- *NMAC 6.20.2.14 C. Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. If the distance to the bank is considerable, or the cash collection is limited to small amounts and/or low volume and it is impractical to meet the twenty-four hour/one banking day requirement, the local board may request approval from the department for an alternative plan. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference.*



Budgetary Compliance

Finding	Practice
Budget/Function Over-expended	<ul style="list-style-type: none"> • Tone at the top regarding budget amendments. • Regular Monitoring of Budget reports prior to the end of month in a written/documentated process. Recommend prior to each board submittal cycle • Differentiate your monitoring based upon grant amount, and volatility of anticipated expenditures. • Have documented timelines for anticipated budget expenditures.
Cash Over Estimated (not adjusted for final balance)	<ul style="list-style-type: none"> • Internal – once rollover is complete and final reconciliation has occurred, review budget estimates and if over estimated move overestimate to restricted expenditure line. • Budget adjustments should be initiated as soon as final audit statement is released.
Budget Adjustments (not entered/not board approved)	<ul style="list-style-type: none"> • Number your budget adjustments if your accounting system does not number them. • Keep an adjustments log that indicates the system (created) number in combination with the OBMS entry number. • Remember to officially reverse errors. • Audit Periodically with OBMS and GL
<p>Over expended budgets should be a </p>	

Grant Compliance

Finding	Practice
Ineligible Expenditure	<ul style="list-style-type: none">• Create grant process to assure that budgets submitted to fiscal for data entry have been reviewed in comparison to grant narrative.• Internal controls to ensure requisitions are reviewed prior to PO issuance• Can be sign of fraud• Know grant requirements• Just because the grant allows it, does not mean state law allows it or it is the best interest of your LEA (Can we vs. Should we)
Lack of Supporting Documentation	<ul style="list-style-type: none">• Set out the expectations in writing• Put Vendor reporting requirements on PO
Time Worked Compliance	<ul style="list-style-type: none">• Recommend Semi-Annual Certifications and Personnel Activity Reports (PARs) on anyone working a multiple cost objective.
Pre-Award Costs	<ul style="list-style-type: none">• Ensure Pre-Award costs are Allowed• Expend pre-award costs out of Operational and include all approvals and documentation prior to purchase for later Journal Entry
Miscoding of Expenditures/Receipts	<ul style="list-style-type: none">• Ensure Requisitions go through appropriate approvals before PO is issued• Make sure that dual signatures are occurring on ACH payments.

Capital Assets and Inventory

Finding	Practice
Capitalization Error	<ul style="list-style-type: none"> • Training on 56119 vs. 57331; Monitor and Audit 56XXX • Look at Repair vs. Improvement for all repairs over \$5K <ul style="list-style-type: none"> • Back in working condition, routine maintenance vs. • Extended life, Upgrades/Modifications, Restores to “like new” condition, Increases Value
Construction in Progress (CIP)	<ul style="list-style-type: none"> • Assign a project number and code all Purchase Orders to that project number • Keep detailed list of PO, Invoice and other key information related to all CIP
Beginning Balances does not tie to prior ending balance	<ul style="list-style-type: none"> • Do not adjust beginning balances, make adjustments in current year • Disclose immediately material errors
Disposal (lack of SAO notification, not removing assets from tracking/depreciating)	<ul style="list-style-type: none"> • NMSA 1978 13-6-1 (2) give notification at least thirty days prior to its action making the deletion by sending a copy of its official finding and the proposed disposition of the property to the state auditor and the appropriate approval authority designated in Section 13-6-2 NMSA 1978, duly sworn and subscribed under oath by each member of the authority approving the action. • Once you have satisfied the 30 notice, you must appropriately surplus or dispose of the item. (you may need state board of finance approval and/or federal awarding agency if over \$5K)
Reminders	<ul style="list-style-type: none"> • Check your policy for how items will be tagged and inventoried. • You should be actively disposing of items as they become obsolete/broken/no longer usable.

Expenditures, Expenses and Advance Payments

Finding	Practice
Purchase Orders not in place prior to transaction	<ul style="list-style-type: none"> • After the Fact process tied to discipline that is approved by top management. <ul style="list-style-type: none"> • Make vendor/individual liable. • Send goods back, do not receive without PO. • Employees sign annual acknowledgement that they understand that no transactions are authorized without a Purchase Order. • Have vendors complete forms when they become vendors (and include vendors already in system) to acknowledge the only binding document will be the Purchase Order.
Lack of Supporting Documentation	<ul style="list-style-type: none"> • Prior to Payment – Invoice (and attachments), Purchase Order and Receiving Documentation has been matched. • Review of invoices by someone independent of the Accounts Payable Clerk to assure Vendor Match/Invoice Match/Documentation
Invoices not paid timely	<ul style="list-style-type: none"> • Send invoices to consolidated e-mail account and utilize tracking to assure signature processes are monitored. • Aging PO monitoring (not just AP Staff)
Procurement Code Violations	<ul style="list-style-type: none"> • Train, Train, Train • Set tone for expectations of timelines
Pay special attention to Pre-Paid items (specifically travel)	

Financial Reporting

Finding	Practice
Accounts Receivables (Inaccurate)	<ul style="list-style-type: none"> • Grant Reimbursement Monitoring • Do the Work! Check all payments in the new year to determine when they should have been acknowledged as a receivable (for county taxes, work with your local treasurer for a report).
Accounts Payables (Inaccurate)	<ul style="list-style-type: none"> • Do the Work! Check all disbursements in the new year to determine when they were payable.
SEFA (Inaccurate)	<ul style="list-style-type: none"> • Have a grant committee • The Grantor should provide you source of funds, relevant statutes/regulations/laws for which the funds are subject, Catalog of Federal Domestic Assistance (CFDA) number, grant award period, grant performance period, reporting requirements.
Liabilities (Inaccurate/Unreconciled)	<ul style="list-style-type: none"> • You should be able to tie your liabilities balances directly back to specific transactions. Remember that everything added to a liability account should eventually be paid out or reconciled through journal entries.
Monthly/Quarterly Reports (Inaccurate, Late, Missing)	<ul style="list-style-type: none"> • These are absolutely essential and are huge warning signs of other issues • Root Cause Analysis and Train, Train, Train
Lack of Controls over Journal Entries	<ul style="list-style-type: none"> • You must have someone review your Journal Entries prior to posting. • Stamp documents and initial reviews.

Payroll & HR

Finding	Practice
Pay Rate is Inaccurate	<ul style="list-style-type: none"> • Put your policies in writing and train on policies • Dual Review/Have programmatic signature to assure rates are correct
Background Check (not completed prior to starting/not completed)	<ul style="list-style-type: none"> • Put your policies in writing and audit files • Train your staff by explaining the WHY
License (Not on File/Not valid for position/Expired)	<ul style="list-style-type: none"> • Creating tracking system (leverage software) • Audit Files
Title IX (Report not filed/File Late)	<ul style="list-style-type: none"> • Create a shared calendar of reporting dates
W-4/I-9 (Missing/Incomplete/No Supporting Documents)	<ul style="list-style-type: none"> • Train the staff that oversee this process • Audit files • Seek Federal/State/Local Government training for staff
ERB/ERAH (Rates Incorrect, Report Not Filed, Not Deducted)	<ul style="list-style-type: none"> • Use template in Payroll/HR system to automatically attach specific benefits to specific positions • Create Rate Sheets each year for your staff to use in budgeting and other compliance aspects.

What did you learn?

- Root Cause Analysis
- Look beyond the obvious
- Create a team if necessary to tackle the finding
- Tone at the Top is important, do what you can within your authority

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