

**STATE OF NEW MEXICO  
NEW MEXICO PUBLIC EDUCATION DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

**MONTESSORI ELEMENTARY SCHOOL (CONTINUED)**

**2018-001 Internal Control over Financial Reporting (Other Noncompliance) (Continued)**

**Management's Response:** The School's Audit Committee and Management are aware of the finding and are making changes to address the issue. The School's Business Manager will continue to implement the established internal controls to report year-end liabilities. The liability in question payment was made after year-end close because the items received were missing one item which was received after year-end.

**Implementation:** Ongoing

**Person Responsible:** Business Manager

**NEW AMERICA SCHOOL**

**2018-001 Purchasing (Other Noncompliance)**

**Condition/Context:** During our testing over cash disbursements we identified the following:

- 2 out of 24 disbursements which included sales tax payments for tangible goods purchased by the School.

**Criteria:** Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

**Cause:** Management oversight.

**Effect:** Noncompliance with applicable rules and regulations.

**Auditor's Recommendation:** We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

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**NEW AMERICA SCHOOL (CONTINUED)**

**2018-001 Purchasing (Other Noncompliance) (Continued)**

**Management's Response:** For the disbursement exceeding the PO amount, policy and procurement code will be reviewed to determine if a small percentage of a PO can be adjusted for underestimated expenditures. In this instance, the expenditure was underestimated by 5%. GRT was paid with the use of the P-Card. P-Card policy and procedures will be reviewed to determine how to prevent the paying of GRT on tangible goods.

**Implementation:** December 31, 2018

**Person Responsible:** Business Manager, Principal, CPO, GC (if policy is to be revised/acted on)

**NEW AMERICA SCHOOL OF LAS CRUCES**

**2018-001 Internal Control over Cash Receipts (Other Noncompliance)**

**Condition/Context:** During our audit, we noted the following issues as they relate to cash receipts:

- 4 out of 17 receipt packets with receipts totaling approximately \$4,500 that lacked individual cash receipt slips for each receipt. Each receipt slip contained numerous cash receipts, which also indicates that the payees didn't receive a carbon copy of the receipt.
- During our review of the cash receipting/handling process, we noted a lack of adequate segregation of duties. Receipt slips and daily bank deposit reconciliation were processed by the same individual who makes the actual bank deposit.

**Criteria:** Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. The school district shall issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and secured. If a receipt is voided, all copies shall be marked "Void" and retained in the receipt book. Each school district shall develop, establish, and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

**Cause:** Lack of adequate internal controls surrounding cash receipts.

**Effect:** Possible misappropriation of assets and misstatement to the financial statements.

**Auditor's Recommendation:** We recommend that procedures be updated and designated individuals understand their roles with the cash handing and receipting process. In addition, we recommend that compensating controls be considered in cases of limited staffing.