

PUBLIC SCHOOL AUDITS

NMSBA
SCHOOL LAW
CONFERENCE
2009

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PUBLIC SCHOOL AUDITS

The New Mexico Audit Act

NMSA 1978

Sections 12-6-1 through 12-6-14

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**2009 LEGISLATURE
AMENDMENTS**

House Bill 321

(copy in materials)

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Amended Section 12-6-3 to require State Auditor to notify PED when audit is not submitted within 90 days of the specified due date

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Also amended the Public School Finance Act to provide for **sanctions** for failure to submit timely audits:

- < 90 days late-- Monthly reports;
- 90-180 days late-----5% penalty ;
- 180-270 days late----7% penalty;
- >270 days late --7% penalty and
loss of board of finance status

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Effective Date

July 1, 2010

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Severe Sanctions!!!

WHY DID THIS HAPPEN?

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What is an audit?

What is the purpose of audits?

How frequently are school audits required?

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“The financial affairs of every agency shall be thoroughly examined and audited **each year** by the state auditor, personnel of the state auditor's office designated by the state auditor or independent auditors approved by the state auditor.”

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“The audits shall be conducted in accordance with **generally accepted auditing standards** and rules issued by the state auditor.

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What records are audited?

Everything reflecting the District's "financial affairs"

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What records are audited?

“a **physical inventory** of
movable chattels and
equipment costing more
than...\$5000....”

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Criminal Violations

“Immediately upon discovery of any violation of a criminal statute in connection with financial affairs, the state auditor shall report the violation to the proper prosecuting officer....”

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Criminal Violations

“An agency or independent auditor shall report a violation immediately to the state auditor.”

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Special Audits

“In addition to the annual audit, the state auditor may cause the financial affairs and transactions of an agency to be audited in whole or in part.”

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Contracting with Auditors
(Procurement Code Requirements)

Contract auditors must be approved
by State Auditor

Costs of Audit are paid by the School
District

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Process

- Hire auditor
- Schedule audit
- Prepare for audit
- Auditors on-site (records review---sampling)
- Preparation of Audit Report
- Exit conference
- Board receives audit report

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Role of Board Attorneys

Board attorneys are required to submit “disclosure letter” about pending or threatened litigation or other claims which might adversely affect District finances

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Audit Report:

Preparation by Auditor

**Presentation to District
(Exit Conference)**

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- **Exit Conferences**
 - When?
 - Who Attends?
 - Open Meetings Issue

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Exit conferences:

Open Meetings Status

A.G. takes position that exit conferences are not meetings that must be open to public (quorum may be present)

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Audits as Public Records

Audit Report does not become a “public record” until 10 days after State Auditor releases it to the School District

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“Audit Exceptions”

“Each report shall set out in detail, in a separate section, **any violation of law or good accounting practices** found by the audit or examination.”

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Audit exceptions

Must be addressed and corrected by the District and status will be reviewed in next year's audit .

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Audit Reports

Errors in Reports : Within 30 days after receiving report, District can notify State Auditor of alleged errors in the Report. He can correct the Report or reject the corrections.

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Importance to Board Members
and to School Administration:

- *Legal Compliance
- *Protection of Public Monies
and Property
- *Public Confidence**

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**Importance to Board Members
and to School Administration:**

**Valuable Tool In helping you do
Your Job as Board Members!**

So Pay Attention to your Audit!