

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

LA TIERRA MONTESSORI SCHOOL OF THE ARTS AND SCIENCES (CONTINUED)

2023-004 Financial Close and Reporting (Material Weakness)

Condition/Context: During our audit, we noted the following deficiencies in internal controls related to financial close and reporting.

Journal Entries-Auditors were unable to test journal entries selected for testing as the journal entry sample support or approval could not be retrieved.

Capital Assets- Due to the fact that the school was not able to complete asset certifications for two consecutive years, auditors were unable to obtain evidence that assets exist for testing.

Criteria: 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: Material misstatement to the financial statements, Disclaimer over Capital assets

Auditor's Recommendation: We recommend that sufficient financial close and reporting procedures be established that include separate review and approval of year-end such as manual journal entries and capital assets.

Management's Response: Reviews noted in the auditor's recommendation existed while the school remained open. The school is now closed.

Implementation: N/A

Person Responsible: N/A

LAS MONTAÑAS CHARTER SCHOOL

2023-001 Budgetary Conditions (2021-002) (Other Noncompliance)

Condition/Context: During our audit, we noted four expenditure functions where actual expenditures exceeded the budgetary authority:

- Fund 11000: 1000 Instruction \$185,735
- Fund 11000: 3000 Noninstructional Services \$273
- Fund 24330: 2000 Support Services \$3,133
- Fund 25153: 1000 Instruction \$3,188

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2024.

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LAS MONTAÑAS CHARTER SCHOOL (CONTINUED)

2023-001 Budgetary Conditions (2021-002) (Other Noncompliance) (Continued)

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, which the function is the legal level of control.

Cause: Management oversight.

Effect: Noncompliance with state statutes.

Auditor's Recommendation: We recommend management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis in order to avoid any overexpended functions and allow sufficient time to have a budget adjustment request approved.

Management's Response: Administration/SBO recognizes the importance of timely submission of budget adjustments in order to not exceed functions.

Implementation: Immediately. Administration/SBO has implemented more efficient processes beginning with a Governing Council Resolution that has been passed to allow for the pre-approved submission of maintenance and transfer budget adjustments as necessary as well as monthly updates to the Governing Council.

Person Responsible: Administration, SBO

2023-002 Compensated Absences (Other Matters)

Condition/Context: During our testing over compensated absences, we identified that the fact that the school has compensated absences that was not previously disclosed or reported during the preparation of the financial statements. The School did not provide the current year calculation until we inquired/requested the obligation.

Criteria: 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 their financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Misstatements of the school's financial statements.

Auditor's Recommendation: We recommend management monitor contracts that allow for compensated absences and to prepare the calculation ahead of the annual audit.

Management's Response: Administration/SBO have provided the compensated absences calculation for the Director to reflect in our Financial Statements and will provide them annually.

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LAS MONTAÑAS CHARTER SCHOOL (CONTINUED)

2023-002 Compensated Absences (Other Matters) (Continued)

Implementation: Administration/SBO will adopt a process in year end closing that will include the calculation of any eligible compensated absences to provide in the completion of the LMCHS fiscal year audit. This will occur by June 30, 2024.

Person Responsible: Administration, SBO

2023-003 Untimely Cash Receipts (Other Noncompliance)

Condition/Context: During our review of 8 cash receipts, we noted 1 cash receipt that was not deposited within 24 hours of receipt.

Criteria: NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. 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 If a receipt is voided, all copies shall be marked "Void" and retained in the receipt book.

Cause: School personnel was not following established procedures to deposit money in a timely manner.

Effect: Noncompliance with NMAC 6.20.2.14.

Auditor's Recommendation: We recommend that sufficient procedures be in place to ensure compliance.

Management's Response: Administration/SBO will work to review and update our cash receipting/depositing procedures as a result of this finding to ensure compliance with the 24-HR rule.

Implementation: Immediately. LMCHS will review cash receipting/depositing procedures with staff and conduct soft internal audits throughout the fiscal year to test for compliance.

Person Responsible: Administration, SBO

2023-004 Purchasing (Other Noncompliance)

Condition/Context: During our testing over 28 cash disbursements, we noted one disbursement of \$200 did not have sufficient supporting documentation or receipts related to the purchase.

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LAS MONTAÑAS CHARTER SCHOOL (CONTINUED)

2023-004 Purchasing (Other Noncompliance) (Continued)

Criteria: 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: Lack of effective procedures to ensure receipts are kept for all disbursements.

Effect: Possible unauthorized purchases.

Auditor's Recommendation: We recommend procedures be implemented to ensure receipts are kept for all purchases.

Management's Response: Administration/SBO will work to revise our processes to maintain sufficient supporting documentation.

Implementation: Immediately. LMCHS will utilize email submissions of receipts as a result of this finding to build a digital log for all fuel purchases. This email address is specifically for receipt submissions and is pre-programmed into all school copiers for ease of access.

Person Responsible: Administration, SBO

2023-005 Employee Contracts (Other Noncompliance)

Condition/Context: During our audit, we noted one instance (out of four samples) where an employee's actual pay differed from the approved contract by \$15.

Criteria: Per NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintaining strict internal controls, close supervision, and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certification, pay deductions authorizations, pay, or position change notices, Education Retirement Act plan application, and direct deposit.

Cause: Management oversight.

Effect: Noncompliance with state statute.

Auditor's Recommendation: We recommend management establish procedures to ensure employees are compensated according to their contract.

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LAS MONTAÑAS CHARTER SCHOOL (CONTINUED)

2023-005 Employee Contracts (Other Noncompliance) (Continued)

Management's Response: Administration/SBO will work together to review contracts annually to confirm adherence to the current Governing Council approved salary schedule.

Implementation: Staff will annually review their contract with the Director and compare to the approved salary schedule established for any errors before executing.

Person Responsible: Administration, SBO

MASTERS PROGRAM

2023-001 Taxes on Good Purchased (Other Noncompliance)

Condition/Context: During our review of 35 cash disbursements we identified 3 cash disbursements where the school paid \$678.85 of taxes on goods that could be exempt.

Criteria: 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 the financial statements in accordance with GAAP. Per NMAC 2.20.5.8.C(6) all expenditures have a public benefit or purpose, are necessary, and are consistent with the appropriation, the expenditure authority from the legislature and comply with Section 6-5-3 NMSA 1978, as amended.

Cause: Management failed to provide vendor with tax exempt information.

Effect: Noncompliance with NMAC 6.20.2.11.

Auditor's Recommendation: We recommend the school set up tax exempt profile with its vendors.

Management's Response: Sales taxes were included and paid for purchases of goods from a particular vendor.

Implementation: Immediately. The school's Business Office Administrator has obtained tax exempt status from this vendor in the subsequent period.

Person Responsible: Business Office Administrator