

Audit unveils excess of inconsistencies within district's financial reporting

Written by By Chrissy Largo Sun Correspondent
Friday, 26 February 2016 03:04



In a recent audit report of the Gallup-McKinley County Schools, conducted by Accounting and Consulting Group, LLP, shows deficiencies in internal control over financial reporting for the date ending in June 30, 2015.

It was stated in the in the General Funds Report, the total revenues amounted to about \$100.5 million and the total amount of expenditures is \$85.6 million. This also reflects the excess (deficiency) amount of revenues over expenditures which amounts to \$14.8 million.

The audit uncovered that the district is not keeping track of lodging receipts for purchases made with the superintendent's credit cards and two transactions occurred with a total amount of \$1,310.57. There appeared to be no supporting documents for the lodging expenditures.

In the New Mexico Procurement Code 13-1-1 to 13-1-99, it states that "payments must be supported by valid receipts and that it may be for valid charges."

According to the audit, the district was aware of the requirement to collect and review the receipts for lodging.

"They had 14 findings, which is on the high-end for a district of that size," New Mexico State Auditor Tim Keller said. "The findings are accounting challenges or problems that should be fixed the following year. For taxpayers this is money for kids, for schools. There are 14 situations, for example, where there are a lot of question marks."

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He added that the overall audit was “good” and the district’s accounting for all their money was good, but there was 14 issues brought up.

“It really is an important question of where some of our taxpayers dollars are going,” he said. “An audit and its findings would be that there is a very high level of confidence that every dollar is accounted for. These are 14 situations where we do not have that confidence.”

State statutes and state regulations require that the district maintain and control all financial processes and records for both the district and auditor. The risk of misappropriation and fraud is the result of not being compliance with state regulations and statutes.

The auditors recommend that the district should consider “centralizing all activity funds under the District management.” However, the audit also states the district is in the process of setting up purchase cards for use for activity funds.

Another major finding showed that there appeared to be a lack of oversight of expenses being coded within the maintenance of reimbursement basis grants as well as a lack of monitoring of allowable costs for these grants.

It is within the New Mexico Manuel of Procedures for Public School Accounting and Budgeting, in order for districts to receive federal and state grants they must abide to a proper financial reporting system set into place.

The audit states that program managers and directors not fully reviewed expenses for certain grants and have allowed items to be purchased that are considered not acceptable.

The auditors recommended that the district produce district-wide training on monitoring and oversight of reimbursable grants.

The district’s response was that trainings were provided throughout the 2014-2015 school year

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but the “monitoring of grant expenditures continues to be an on-going issue for the District.”

According to the audit, there was a find that certain materials were being purchased but they were not making it into the classrooms for student or teacher use. In other words, the district does not have proper internal controls to ensure that items that are bought are taken into classrooms.

The end result of poor monitoring of purchased items could result in buying items that are already purchased but not yet being used, theft, and abuse of District property throughout the year.

The audit also disclosed that the district does not currently have a policy set into place that “restricts the receipting of goods purchased, especially for those items purchased in bulk for later use.”

It was recommended by the auditors that the district enforce a policy that restricts the receipting of purchased items to a central location that will track the product and to make sure that the item is not ordered twice.

Also, after reviewing payroll transactions, auditors found that 20 out of 64 payroll transactions, the district did not provide a contract attached to the employee file which could result in the district paying an employee the incorrect amount. It was noted that the district does not currently have a policy set into place that allows the contract to be received back from the employee and into the employee file.

According to the audit, the district is aware that auditors found a “long history of contracts” that were not being returned to the employee files and has assured the auditors that the personnel office has secured a process that all 2015-2016 contracts are accounted for by using sign-in and sign-out sheets. Contracts will then be verified by the department to make sure that all contracts are filed within employees file.

The findings include the district's activity for fund internal controls over disbursement and

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receipting processes involved the approval of purchase orders and posting receipts with no involvement of another party.

Multiple efforts were made to contact Superintendent Frank Chiapetti; Board President Titus Nez; Vice President Kevin Mitchell; Board Secretary Priscilla Manuelito; District 4 Board member Joe Menini; and District 5 Board member Lynn Huenemann for comment, but none were reached by press time.

To review the full audit, visit the auditor's website at: osanm.org

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