

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE

REPRESENTATIVES

Rick Miera, Chair
Nora Espinoza
Mary Helen Garcia
Jimmie C. Hall
Dennis J. Roch
Mimi Stewart

State Capitol North, 325 Don Gaspar, Suite 200
Santa Fe, New Mexico 87501
Phone: (505) 986-4591 Fax: (505) 986-4338
<http://www.nmlegis.gov/lcs/lesc/lescdefault.aspx>

SENATORS

Cynthia Nava, Vice Chair
Mary Jane M. García
Gay G. Kernan
Lynda M. Lovejoy

ADVISORY

Alonzo Baldonado
Ray Begaye
Eleanor Chávez
George Dodge, Jr.
Roberto "Bobby" J. Gonzales
Tim D. Lewis
Sheryl M. Williams Stapleton
Shirley A. Tyler
Bob Wooley



ADVISORY

Vernon D. Asbill
Mark Boitano
Stephen H. Fischmann
Howie C. Morales
John Pinto
Sander Rue

Frances Ramírez-Maestas, Director
David Harrell, PhD, Deputy Director

July 25, 2011

MEMORANDUM

TO: Legislative Education Study Committee

FR: Craig J. Johnson

**RE: STAFF BRIEF: 2010 LESC SCHOOL FINANCE WORK GROUP OUTCOMES:
REVISION OF THE PUBLIC SCHOOL ACCOUNTING AND BUDGETING
MANUAL OF PROCEDURES**

During the 2010 interim, the School Finance Work Group created by the Legislative Education Study Committee (LESC) reviewed the *Public School Accounting and Budgeting Manual of Procedures* (Manual) and determined that many of the 22 sections of the manual had not been updated since the 1990s. The work group agreed that updating the manual would be an extensive project best assigned to an expert in school business management who had worked in the public schools. In November 2010, the work group reviewed proposals and selected a contractor to complete the revision of the manual. The contractors have almost completed the update and revision of the manual. However, at the time this memo was written, not all of the final deliverables have been reviewed and approved by the Public Education Department (PED) staff.

This staff brief will:

- outline the timeline of events involved in the update of the manual; and
- provide an overview of the new and improved manual.

Timeline

- In July, the work group agreed to request \$50,000 from the New Mexico Public Schools Insurance Authority (NMPSIA) to hire one or more contractors to revise the manual.
- On August 4, 2010, the LESC Director sent a letter to the NMPSIA board on behalf of the work group requesting the funds; and at the August 5, 2010 NMPSIA board meeting, the board approved the request.
- At its October 1, 2010 meeting, the work group approved a scope of work drafted by LESC staff.
- During October, work group members and LESC staff solicited proposals from qualified and interested professionals.
- On November 12, the LESC School Finance Work Group reviewed the three proposals received and selected Team S&S, Caron Snow and Leslie Smith, as the contractors to complete the revision of the manual (see Attachments 1 and 2).
- In late November, NMPSIA and PED signed an intergovernmental agreement (IGA) directing the transfer of funds, which is required by the Department of Finance and Administration (DFA) to complete the operating transfer of \$50,000 from NMPSIA to PED.
- In November, December, and January, PED staff reviewed a draft contract and processed the final contract through their contract review process and the contract review process at DFA.
- The final contract was signed by PED staff and the contractors in the middle of February and approved by DFA's contracts review bureau on March 30, 2011.
- On April 11, the contractors submitted the first deliverable, the comprehensive review of the manual, for examination and edit.

New Manual

The new manual is the result of a cooperative effort between the contractors, the LESC School Finance Work Group, NMPSIA, PED staff, and LESC staff. The contractors agreed upon a process to develop, review, and approve each section of the new manual. After the contractors submitted each new section of the manual, LESC and PED staff reviewed each submittal to:

- ensure the instructions are comprehensive and accurately reflect all current procedures and requirements; and
- check for any grammatical or formatting errors.

The updated manual serves as a guiding document to help all school districts and charter schools understand and comply with applicable laws and current financial reporting

requirements. If the guidance provided for in the new manual is properly followed, the revised manual will:

- increase the likelihood of accurate financial reporting;
- strengthen internal controls;
- reduce waste, fraud and abuse; and
- help school boards and administrators be more effective stewards of public resources.

The following chapters are included in the new manual:

- Budget Planning, Preparation, and Maintenance;
- Internal Control Structure;
- Uniform Chart of Accounts;
- Federal and State Grants;
- Financial Statements;
- Financial and Compliance Audits;
- Cash Controls;
- Public Fund Deposits and Investments;
- Instructional Materials;
- Warehouse and Supply Inventory;
- Insurance;
- Capital Assets;
- Purchasing;
- Payroll;
- Bonds, Capital Projects, and Debt Service;
- Student Nutrition;
- Student Activity and Athletics;
- Transportation;
- Travel and Training; and
- Records Retention and Disposition.

The improvements in the new manual include:

- greater detail regarding proper internal controls;
- additional guidance on complying with financial, federal, or special audits;
- common audit findings and tips to avoid them;
- an updated section on recent statutory changes regarding requirements for audit subcommittees and potential sanctions if audits are not completed timely;
- guidance on best practices associated with cash controls, purchasing, and inventory management;
- additional instructions on how to use the Uniform Chart of Accounts;
- additional clarity on the proper use of capital funds; and
- a more consistent, easy-to-use format.

In addition to the improvements listed above, the new manual includes practical tools that school business managers and program administrators can use to evaluate specific operations

and identify areas for improvement. For example, the new manual includes risk/control assessment tools for the following finance functions:

- capital assets;
- cash management;
- instructional materials;
- investments;
- purchasing;
- school nutrition; and
- warehouse operations.

The risk/control assessment tool for the purchasing function is included as Attachment 3.

The contract also required the contractors to provide electronic versions of each chapter of the manual and associated tools, which will facilitate updating the manual as needed. The updated chapters of the manual also include references to other PED manuals, guidance documents, or reference materials. PED has expressed intent to post the chapters of the manual on PED's website.

Finally, the new manual will be presented at the New Mexico Association of School Business Officials training conference on October 17-21.

STATE OF NEW MEXICO

PUBLIC EDUCATION DEPARTMENT
PROFESSIONAL SERVICES CONTRACT # 11-924-P527-0119

THIS AGREEMENT is made and entered into by and between the State of New Mexico, Public Education Department hereinafter referred to as the "Agency," and **Caron Snow** hereinafter referred to as the "Contractor," and is effective as of the date set forth below upon which it is executed by the Department of Finance and Administration ("DFA").

IT IS AGREED BETWEEN THE PARTIES:

1. Scope of Work.

A. The Contractor shall perform the following work:

1) Perform a comprehensive review of all sections of the Public Education Department's (PED) Accounting and Budgeting Manual of Procedures ("Manual"). The review must include changes to ensure the instructions in the manual are well-defined and accurately reflect all current procedures, requirements, and timelines, and it must update the manual to ensure that all references to statutes, administrative codes, governmental departments, administrative units, data systems, acronyms, etc are current. The final Manual shall be delivered to PED in hard copy and electronic (Word, PDF, and Excel as applicable) formats. Contractor will provide six (6) complete hard copies of the final manual. The Contractor will make written recommendations for changes to PED administrative rule section 6.20.2 *Public School Finance Budgeting and Accounting – Governing Budgeting and Accounting for New Mexico Public Schools and School Districts* with updates as a result of the Accounting and Budgeting Manual of Procedures revision. The PED administrative code 6.20.2 shall be delivered to PED in hard copy and electronic (Word, PDF, and Excel as applicable) formats.

2) Specific language or entire sections may need to be added to or deleted from the manual. Focus areas for review include but are not limited to specific language:

- To strengthen the internal controls section of the manual founded on the Committee of Sponsoring Organizations' (COSO) guidance on most effective internal control processes. Language shall include a description of duties to be segregated and clear guidance on the bank reconciliation process.
- Regarding federal programs to ensure all federal revenues sources, including stimulus funds, are adequately addressed in the manual and providing guidance on complying with federal audits.
- To be added to the Financial Audit section to address recent statutory changes regarding requirements for audit subcommittees and potential sanctions that could be imposed if audits are not submitted timely.
- To ensure that financial statements are consistently produced in accordance with applicable Generally Accepted Accounting Principles (GAAP) standards and procedures.
- About cash controls, purchasing, and inventory controls to reflect best practices.
- Providing additional clarity on the proper use of capital funds.

- Reflecting PED's current reimbursement process.
- Explaining the fiduciary responsibilities and financial roles of school boards, governing bodies, and boards of finance.
- Describing licensure, training and Continuing Professional Education (CPE) requirements and available training programs for board members, administrators, and school business officials.

3) Removal or modification of any duplicative or repetitive language to condense the manual.

4) New language to provide guidance on prevention of waste, fraud, and abuse.

5) New language to provide guidance on appropriateness of expenditures.

6) Examples of budget status report templates that can be used by districts and charter schools to provide reliable monthly financial summaries to governing boards. The budget status reports shall be delivered in hard copy and excel format.

B. Services will be performed in New Mexico.

C. Performance Measures.

In addition to the Performance Measures described in Attachment 1, the Contractor shall substantially perform the following Performance Measures:

1. Deliver 6 complete hard copies and electronic revisions of the final Accounting and Budgeting Manual of Procedures to be used by PED. Delivery shall be by June 1, 2011.
2. Deliver examples of budget status report templates that can be used by school districts and charter schools to provide reliable monthly financial summaries to governing boards. The budget status reports shall be delivered in hard copy and excel format by June 1, 2011.
3. Make written recommendations for changes to PED administrative rule (Rule 6.20.2) regarding Public School Finance Budgeting and Accounting, and based on revisions made to the final Accounting and Budgeting Manual of Procedures. Delivery shall be made by June 1, 2011.
4. Receipt of the deliverables stated in this contract shall assist the Agency in achieving its goal of effective, efficient, and transparent Department operations as stated on page 14 of the Agency's Strategic Plan.

2. **Compensation.**

A. The Agency shall pay to the Contractor in full payment for services satisfactorily performed forty nine thousand six hundred dollars (\$24,800), including gross receipts tax. **The total amount payable to the Contractor under this Agreement, including gross receipts tax and expenses, shall not exceed forty nine thousand six hundred dollars (\$24,800). This amount is a maximum and not a guarantee that the work assigned to be performed by Contractor under this Agreement shall equal the amount stated herein. The parties do not intend for the Contractor to continue to provide services without compensation when the total compensation amount is reached. Contractor is responsible for notifying the Agency when the services provided under this Agreement reach the total compensation amount. In no event will the Contractor be paid for services provided in excess of the total compensation amount without this Agreement being amended in writing prior to those services in excess of the total compensation amount being provided.**

The approved budget contained in Attachment 2 and the due date of June 1, 2011, in order to better meet programmatic requirements, may be revised upon written request by the contractor to the program manager and written approval by the agency program manager.

B. Payment is subject to availability of funds pursuant to the Appropriations Paragraph set forth below and to any negotiations between the parties from year to year pursuant to Paragraph 1, Scope of Work, and to approval by the DFA. All invoices **MUST BE** received by the Agency no later than fifteen (15) days after the termination of the Fiscal Year in which the services were delivered. Invoices received after such date **WILL NOT BE PAID.**

C. Contractor must submit a detailed statement accounting for all services performed and expenses incurred. If the Agency finds that the services are not acceptable, within thirty days after the date of receipt of written notice from the Contractor that payment is requested, it shall provide the Contractor a letter of exception explaining the defect or objection to the services, and outlining steps the Contractor may take to provide remedial action. Upon certification by the Agency that the services have been received and accepted, payment shall be tendered to the Contractor within thirty days after the date of acceptance. If payment is made by mail, the payment shall be deemed tendered on the date it is postmarked. However, the agency shall not incur late charges, interest, or penalties for failure to make payment within the time specified herein.

3. **Term.**

THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL APPROVED BY THE DFA. This Agreement shall terminate on **June 30, 2011** unless terminated pursuant to paragraph 4 (Termination), or paragraph 5 (Appropriations). In accordance with Section 13-1-150 NMSA 1978, no contract term for a professional services contract, including extensions and renewals, shall exceed four years, except as set forth in Section 13-1-150 NMSA 1978.

4. **Termination.**

A. **Termination.** This Agreement may be terminated by either of the parties hereto

upon written notice delivered to the other party at least thirty (30) days prior to the intended date of termination. Except as otherwise allowed or provided under this Agreement, the Agency's sole liability upon such termination shall be to pay for acceptable work performed prior to the Contractor's receipt of the notice of termination, if the Agency is the terminating party, or the Contractor's sending of the notice of termination, if the Contractor is the terminating party; provided, however, that a notice of termination shall not nullify or otherwise affect either party's liability for pre-termination defaults under or breaches of this Agreement. The Contractor shall submit an invoice for such work within thirty (30) days of receiving or sending the notice of termination. Notwithstanding the foregoing, this Agreement may be terminated immediately upon written notice to the Contractor if the Contractor becomes unable to perform the services contracted for, as determined by the Agency or if, during the term of this Agreement, the Contractor or any of its officers, employees or agents is indicted for fraud, embezzlement or other crime due to misuse of state funds or due to the Appropriations paragraph herein. THIS PROVISION IS NOT EXCLUSIVE AND DOES NOT WAIVE THE STATE'S OTHER LEGAL RIGHTS AND REMEDIES CAUSED BY THE CONTRACTOR'S DEFAULT/BREACH OF THIS AGREEMENT."

B Termination Management. Immediately upon receipt by either the Agency or the Contractor of notice of termination of this Agreement, the Contractor shall: 1) not incur any further obligations for salaries, services or any other expenditure of funds under this Agreement without written approval of the Agency; 2) comply with all directives issued by the Agency in the notice of termination as to the performance of work under this Agreement; and 3) take such action as the Agency shall direct for the protection, preservation, retention or transfer of all property titled to the Agency and records generated under this Agreement. Any non-expendable personal property or equipment provided to or purchased by the Contractor with contract funds shall become property of the Agency upon termination and shall be submitted to the agency as soon as practicable.

5. Appropriations.

The terms of this Agreement are contingent upon sufficient appropriations and authorization being made by the Legislature of New Mexico for the performance of this Agreement. If sufficient appropriations and authorization are not made by the Legislature, this Agreement shall terminate immediately upon written notice being given by the Agency to the Contractor. The Agency's decision as to whether sufficient appropriations are available shall be accepted by the Contractor and shall be final. If the Agency proposes an amendment to the Agreement to unilaterally reduce funding, the Contractor shall have the option to terminate the Agreement or to agree to the reduced funding, within thirty (30) days of receipt of the proposed amendment.

6. Status of Contractor.

The Contractor and its agents and employees are independent contractors performing professional services for the Agency and are not employees of the State of New Mexico. The Contractor and its agents and employees shall not accrue leave, retirement, insurance, bonding, use of state vehicles, or any other benefits afforded to employees of the State of New Mexico as a result of this Agreement. The Contractor acknowledges that all sums received hereunder are reportable by the Contractor for tax purposes, including without limitation, self-employment and

business income tax. The Contractor agrees not to purport to bind the State of New Mexico unless the Contractor has express written authority to do so, and then only within the strict limits of that authority.

7. Assignment.

The Contractor shall not assign or transfer any interest in this Agreement or assign any claims for money due or to become due under this Agreement without the prior written approval of the Agency.

8. Subcontracting.

The Contractor shall not subcontract any portion of the services to be performed under this Agreement without the prior written approval of the Agency.

9. Release.

Final payment of the amounts due under this Agreement shall operate as a release of the Agency, its officers and employees, and the State of New Mexico from all liabilities, claims and obligations whatsoever arising from or under this Agreement.

10. Confidentiality.

Any confidential information provided to or developed by the Contractor in the performance of this Agreement shall be kept confidential and shall not be made available to any individual or organization by the Contractor without the prior written approval of the Agency.

11. Product of Service -- Copyright.

All materials developed or acquired by the Contractor under this Agreement shall become the property of the State of New Mexico and shall be delivered to the Agency no later than the termination date of this Agreement. Nothing developed or produced, in whole or in part, by the Contractor under this Agreement shall be the subject of an application for copyright or other claim of ownership by or on behalf of the Contractor.

12. Conflict of Interest; Governmental Conduct Act.

The Contractor warrants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance or services required under the Agreement. The Contractor certifies that the requirements of the Governmental Conduct Act, Sections 10-16-1 through 10-16-18, NMSA 1978, regarding contracting with a public officer or state employee or former state employee have been followed.

13. Amendment.

A. This Agreement shall not be altered, changed or amended except by instrument in writing executed by the parties hereto and all other required signatories.

B. If the Agency proposes an amendment to the Agreement to unilaterally reduce funding due to budget or other considerations, the Contractor shall have the option to terminate the Agreement or to agree to the reduced funding, within thirty (30) days of receipt of the proposed amendment.

14. Merger.

This Agreement incorporates all the Agreements, covenants and understandings between the parties hereto concerning the subject matter hereof, and all such covenants, Agreements and understandings have been merged into this written Agreement. No prior Agreement or understanding, oral or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in this Agreement.

15. Penalties for violation of law.

The Procurement Code, Sections 13-1-28 through 13-1-199, NMSA 1978, imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for illegal bribes, gratuities and kickbacks.

16. Equal Opportunity Compliance.

The Contractor agrees to abide by all federal and state laws and rules and regulations, and executive orders of the Governor of the State of New Mexico, pertaining to equal employment opportunity. In accordance with all such laws of the State of New Mexico, the Contractor assures that no person in the United States shall, on the grounds of race, religion, color, national origin, ancestry, sex, age, physical or mental handicap, or serious medical condition, spousal affiliation, sexual orientation or gender identity, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity performed under this Agreement. If Contractor is found not to be in compliance with these requirements during the life of this Agreement, Contractor agrees to take appropriate steps to correct these deficiencies.

17. Applicable Law.

The laws of the State of New Mexico shall govern this Agreement, without giving effect to its choice of law provisions. Venue shall be proper only in a New Mexico court of competent jurisdiction in accordance with Section 38-3-1 (G) NMSA 1978. By execution of this Agreement, Contractor acknowledges and agrees to the jurisdiction of the courts of the State of New Mexico over any and all lawsuits arising under or out of any term of this Agreement.

18. Workers Compensation.

The Contractor agrees to comply with state laws and rules applicable to workers compensation benefits for its employees. If the Contractor fails to comply with the Workers Compensation Act and applicable rules when required to do so, this Agreement may be terminated by the Agency.

19. Records and Financial Audit.

The Contractor shall maintain detailed time and expenditure records that indicate the date, time, nature and cost of services rendered during the Agreement's term and effect and retain them for a period of three (3) years from the date of final payment under this Agreement. The records shall be subject to inspection by the Agency, the Department of Finance and Administration and the State Auditor. The Agency shall have the right to audit billings both before and after payment. Payment under this Agreement shall not foreclose the right of the Agency to recover excessive or illegal payments

20. Indemnification.

The Contractor shall defend, indemnify and hold harmless the Agency and the State of New Mexico from all actions, proceeding, claims, demands, costs, damages, attorneys' fees and all other liabilities and expenses of any kind from any source which may arise out of the performance of this Agreement, caused by the negligent act or failure to act of the Contractor, its officers, employees, servants, subcontractors or agents, or if caused by the actions of any client of the Contractor resulting in injury or damage to persons or property during the time when the Contractor or any officer, agent, employee, servant or subcontractor thereof has or is performing services pursuant to this Agreement. In the event that any action, suit or proceeding related to the services performed by the Contractor or any officer, agent, employee, servant or subcontractor under this Agreement is brought against the Contractor, the Contractor shall, as soon as practicable but no later than two (2) days after it receives notice thereof, notify the legal counsel of the Agency and the Risk Management Division of the New Mexico General Services Department by certified mail.

21. New Mexico Employees Health Coverage.

A. If Contractor has, or grows to, six (6) or more employees who work, or who are expected to work, an average of at least 20 hours per week over a six (6) month period during the term of the contract, Contractor certifies, by signing this agreement, to have in place, and agree to maintain for the term of the contract, health insurance for those employees and offer that health insurance to those employees no later than July 1, 2010 if the expected annual value in the aggregate of any and all contracts between Contractor and the State exceed \$250,000 dollars.

B. Contractor agrees to maintain a record of the number of employees who have (a) accepted health insurance; (b) declined health insurance due to other health insurance coverage already in place; or (c) declined health insurance for other reasons. These records are subject to review and audit by a representative of the state.

C. Contractor agrees to advise all employees of the availability of State publicly financed health care coverage programs by providing each employee with, as a minimum, the following web site link to additional information: <http://insurenemexico.state.nm.us/>.

22. Employee Pay Equity Reporting

Contractor agrees if it has ten (10) or more New Mexico employees OR eight (8) or more employees in the same job classification, at any time during the term of this contract, to complete and submit the PE10-249 form on the annual anniversary of the initial report submittal for contracts up to one (1) year in duration. If contractor has (250) or more employees contractor must complete and submit the PE250 form on the annual anniversary of the initial report submittal for contracts up to one (1) year in duration. For contracts that extend beyond one (1) calendar year, or are extended beyond one (1) calendar year, contractor also agrees to complete and submit the PE10-249 or PE250 form, whichever is applicable, within thirty (30) days of the annual contract anniversary date of the initial submittal date or, if more than 180 days has elapsed since submittal of the last report, at the completion of the contract, whichever comes first. Should contractor not meet the size requirement for reporting at contract award but subsequently grows such that they meet or exceed the size requirement for reporting, contractor agrees to provide the required report within ninety (90) days of meeting or exceeding the size

requirement. That submittal date shall serve as the basis for submittals required thereafter. Contractor also agrees to levy this requirement on any subcontractor(s) performing more than 10% of the dollar value of this contract if said subcontractor(s) meets, or grows to meet, the stated employee size thresholds during the term of the contract. Contractor further agrees that, should one or more subcontractor not meet the size requirement for reporting at contract award but subsequently grows such that they meet or exceed the size requirement for reporting, contractor will submit the required report, for each such subcontractor, within ninety (90 days) of that subcontractor meeting or exceeding the size requirement. Subsequent report submittals, on behalf of each such subcontractor, shall be due on the annual anniversary of the initial report submittal. Contractor shall submit the required form(s) to the State Purchasing Division of the General Services Department, and other departments as may be determined, on behalf of the applicable subcontractor(s) in accordance with the schedule contained in this paragraph. Contractor acknowledges that this subcontractor requirement applies even though contractor itself may not meet the size requirement for reporting and be required to report itself.

Notwithstanding the foregoing, if this Contract was procured pursuant to a solicitation, and if Contractor has already submitted the required report accompanying their response to such solicitation, the report does not need to be re-submitted with this Agreement.

23. Invalid Term or Condition.

If any term or condition of this Agreement shall be held invalid or unenforceable, the remainder of this Agreement shall not be affected and shall be valid and enforceable.

24. Enforcement of Agreement.

A party's failure to require strict performance of any provision of this Agreement shall not waive or diminish that party's right thereafter to demand strict compliance with that or any other provision. No waiver by a party of any of its rights under this Agreement shall be effective unless express and in writing, and no effective waiver by a party of any of its rights shall be effective to waive any other rights.

25. Notices.

Any notice required to be given to either party by this Agreement shall be in writing and shall be delivered in person, by courier service or by U.S. mail, either first class or certified, return receipt requested, postage prepaid, as follows:

To the Agency:

Pamela Bowker, Deputy Director of the School Budget & Finance Analysis Bureau

300 Don Gaspar, Room 221

Santa Fe, NM 87501

Phone (505) 827-4708

Fax (505) 827-9931

pamela.bowker@state.nm.us

To the Contractor:

Caron Snow

130 Hidden Valley Road

Alto, NM 88312

26. Authority.

If Contractor is other than a natural person, the individual(s) signing this Agreement on behalf of Contractor represents and warrants that he or she has the power and authority to bind Contractor, and that no further action, resolution, or approval from Contractor is necessary to enter into a binding contract.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date of signature by the DFA Contracts Review Bureau below.

By: Hanna Skandera
Hanna Skandera
Secretary of Education

Date: 2.21.11

By: Paul V. V. V.
Agency's Legal Counsel -Certifying legal sufficiency

Date: 2/17/11

By: Caron Snow
Caron Snow, Contractor

Date: 2/10/11

The records of the Taxation and Revenue Department reflect that the Contractor is registered with the Taxation and Revenue Department of the State of New Mexico to pay gross receipts and compensating taxes.

ID Number: 03-208121-00-9

By: Julie Arco
Taxation and Revenue Department

Date: 2/14/11

This Agreement has been approved by the DFA Contracts Review Bureau:

By: Barbara Su
DFA Contracts Review Bureau

Date: 3/30/11

Attachment 1

Scope of Work

Performance Measures

The function of the Public Education Department is to provide program and fiscal oversight to school districts. The Agency has determined that a revised manual could provide training, guidance, and clarity to school business officials and other stakeholders. The Agency identified the need to have an updated manual to enable school boards and administrators to be more effective stewards of public resources. Given increasingly limited resources and recent examples of waste or fraud by public school officials, it is critical that documents guiding financial reporting and accounting of public school funds be accurate, clear, and useful. An updated and reliable manual will help to ensure compliance with applicable laws and to reduce the risk of financial misconduct.

It is the intent of the Agency that the updated manual will serve as a guiding document to assist all school districts and charter schools to understand and comply with current financial reporting requirements. Further, the agency is seeking a revised manual that will help to strengthen internal controls and reduce waste, fraud, and abuse. The update and revision of the manual will ensure that processes and procedures described in the manual accurately reflect proper accounting standards, current business practices, requirements, and timelines at the PED and the US Department of Education (USDE). The Agency has identified sections of the manual that need to be updated or augmented, including sections on internal controls, financial audits, and prevention of waste, fraud, and abuse.

STATE OF NEW MEXICO

PUBLIC EDUCATION DEPARTMENT
PROFESSIONAL SERVICES CONTRACT # 11-924-P527-0133

THIS AGREEMENT is made and entered into by and between the State of New Mexico, Public Education Department hereinafter referred to as the "Agency," and **gFund Solutions** hereinafter referred to as the "Contractor," and is effective as of the date set forth below upon which it is executed by the Department of Finance and Administration ("DFA").

IT IS AGREED BETWEEN THE PARTIES:

1. **Scope of Work.**

A. The Contractor shall perform the following work:

1) Perform a comprehensive review of all sections of the Public Education Department's (PED) Accounting and Budgeting Manual of Procedures ("Manual"). The review must include changes to ensure the instructions in the manual are well-defined and accurately reflect all current procedures, requirements, and timelines, and it must update the manual to ensure that all references to statutes, administrative codes, governmental departments, administrative units, data systems, acronyms, etc are current. The final Manual shall be delivered to PED in hard copy and electronic (Word, PDF, and Excel as applicable) formats. Contractor will provide six (6) complete hard copies of the final manual. The Contractor will make written recommendations for changes to PED administrative rule section 6.20.2 *Public School Finance Budgeting and Accounting – Governing Budgeting and Accounting for New Mexico Public Schools and School Districts* with updates as a result of the Accounting and Budgeting Manual of Procedures revision. The PED administrative code 6.20.2 shall be delivered to PED in hard copy and electronic (Word, PDF, and Excel as applicable) formats.

2) Specific language or entire sections may need to be added to or deleted from the manual. Focus areas for review include but are not limited to specific language:

- To strengthen the internal controls section of the manual founded on the Committee of Sponsoring Organizations' (COSO) guidance on most effective internal control processes. Language shall include a description of duties to be segregated and clear guidance on the bank reconciliation process.
- Regarding federal programs to ensure all federal revenues sources, including stimulus funds, are adequately addressed in the manual and providing guidance on complying with federal audits.
- To be added to the Financial Audit section to address recent statutory changes regarding requirements for audit subcommittees and potential sanctions that could be imposed if audits are not submitted timely.
- To ensure that financial statements are consistently produced in accordance with applicable Generally Accepted Accounting Principles (GAAP) standards and procedures.
- About cash controls, purchasing, and inventory controls to reflect best practices.
- Providing additional clarity on the proper use of capital funds.

- Reflecting PED's current reimbursement process.
- Explaining the fiduciary responsibilities and financial roles of school boards, governing bodies, and boards of finance.
- Describing licensure, training and Continuing Professional Education (CPE) requirements and available training programs for board members, administrators, and school business officials.

3) Removal or modification of any duplicative or repetitive language to condense the manual.

4) New language to provide guidance on prevention of waste, fraud, and abuse.

5) New language to provide guidance on appropriateness of expenditures.

6) Examples of budget status report templates that can be used by districts and charter schools to provide reliable monthly financial summaries to governing boards. The budget status reports shall be delivered in hard copy and excel format.

B. Services will be performed in New Mexico.

C. Performance Measures.

In addition to the Performance Measures described in Attachment 1, the Contractor shall substantially perform the following Performance Measures:

1. Deliver 6 complete hard copies and electronic revisions of the final Accounting and Budgeting Manual of Procedures to be used by PED. Delivery shall be by June 1, 2011.
2. Deliver examples of budget status report templates that can be used by school districts and charter schools to provide reliable monthly financial summaries to governing boards. The budget status reports shall be delivered in hard copy and excel format by June 1, 2011.
3. Make written recommendations for changes to PED administrative rule (Rule 6.20.2) regarding Public School Finance Budgeting and Accounting, and based on revisions made to the final Accounting and Budgeting Manual of Procedures. Delivery shall be made by June 1, 2011.
4. Receipt of the deliverables stated in this contract shall assist the Agency in achieving its goal of effective, efficient, and transparent Department operations as stated on page 14 of the Agency's Strategic Plan.

2. **Compensation.**

A. The Agency shall pay to the Contractor in full payment for services satisfactorily performed forty nine thousand six hundred dollars (\$24,800), including gross receipts tax. **The total amount payable to the Contractor under this Agreement, including gross receipts tax and expenses, shall not exceed forty nine thousand six hundred dollars (\$24,800). This amount is a maximum and not a guarantee that the work assigned to be performed by Contractor under this Agreement shall equal the amount stated herein. The parties do not intend for the Contractor to continue to provide services without compensation when the total compensation amount is reached. Contractor is responsible for notifying the Agency when the services provided under this Agreement reach the total compensation amount. In no event will the Contractor be paid for services provided in excess of the total compensation amount without this Agreement being amended in writing prior to those services in excess of the total compensation amount being provided.**

The approved budget contained in Attachment 2 and the due date of June 1, 2011, in order to better meet programmatic requirements, may be revised upon written request by the contractor to the program manager and written approval by the agency program manager.

B. Payment is subject to availability of funds pursuant to the Appropriations Paragraph set forth below and to any negotiations between the parties from year to year pursuant to Paragraph 1, Scope of Work, and to approval by the DFA. All invoices **MUST BE** received by the Agency no later than fifteen (15) days after the termination of the Fiscal Year in which the services were delivered. Invoices received after such date **WILL NOT BE PAID.**

C. Contractor must submit a detailed statement accounting for all services performed and expenses incurred. If the Agency finds that the services are not acceptable, within thirty days after the date of receipt of written notice from the Contractor that payment is requested, it shall provide the Contractor a letter of exception explaining the defect or objection to the services, and outlining steps the Contractor may take to provide remedial action. Upon certification by the Agency that the services have been received and accepted, payment shall be tendered to the Contractor within thirty days after the date of acceptance. If payment is made by mail, the payment shall be deemed tendered on the date it is postmarked. However, the agency shall not incur late charges, interest, or penalties for failure to make payment within the time specified herein.

3. **Term.**

THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL APPROVED BY THE DFA. This Agreement shall terminate on **June 30, 2011** unless terminated pursuant to paragraph 4 (Termination), or paragraph 5 (Appropriations). In accordance with Section 13-1-150 NMSA 1978, no contract term for a professional services contract, including extensions and renewals, shall exceed four years, except as set forth in Section 13-1-150 NMSA 1978.

4. **Termination.**

A. **Termination.** This Agreement may be terminated by either of the parties hereto

upon written notice delivered to the other party at least thirty (30) days prior to the intended date of termination. Except as otherwise allowed or provided under this Agreement, the Agency's sole liability upon such termination shall be to pay for acceptable work performed prior to the Contractor's receipt of the notice of termination, if the Agency is the terminating party, or the Contractor's sending of the notice of termination, if the Contractor is the terminating party; provided, however, that a notice of termination shall not nullify or otherwise affect either party's liability for pre-termination defaults under or breaches of this Agreement. The Contractor shall submit an invoice for such work within thirty (30) days of receiving or sending the notice of termination. Notwithstanding the foregoing, this Agreement may be terminated immediately upon written notice to the Contractor if the Contractor becomes unable to perform the services contracted for, as determined by the Agency or if, during the term of this Agreement, the Contractor or any of its officers, employees or agents is indicted for fraud, embezzlement or other crime due to misuse of state funds or due to the Appropriations paragraph herein. THIS PROVISION IS NOT EXCLUSIVE AND DOES NOT WAIVE THE STATE'S OTHER LEGAL RIGHTS AND REMEDIES CAUSED BY THE CONTRACTOR'S DEFAULT/BREACH OF THIS AGREEMENT."

B Termination Management. Immediately upon receipt by either the Agency or the Contractor of notice of termination of this Agreement, the Contractor shall: 1) not incur any further obligations for salaries, services or any other expenditure of funds under this Agreement without written approval of the Agency; 2) comply with all directives issued by the Agency in the notice of termination as to the performance of work under this Agreement; and 3) take such action as the Agency shall direct for the protection, preservation, retention or transfer of all property titled to the Agency and records generated under this Agreement. Any non-expendable personal property or equipment provided to or purchased by the Contractor with contract funds shall become property of the Agency upon termination and shall be submitted to the agency as soon as practicable.

5. Appropriations.

The terms of this Agreement are contingent upon sufficient appropriations and authorization being made by the Legislature of New Mexico for the performance of this Agreement. If sufficient appropriations and authorization are not made by the Legislature, this Agreement shall terminate immediately upon written notice being given by the Agency to the Contractor. The Agency's decision as to whether sufficient appropriations are available shall be accepted by the Contractor and shall be final. If the Agency proposes an amendment to the Agreement to unilaterally reduce funding, the Contractor shall have the option to terminate the Agreement or to agree to the reduced funding, within thirty (30) days of receipt of the proposed amendment.

6. Status of Contractor.

The Contractor and its agents and employees are independent contractors performing professional services for the Agency and are not employees of the State of New Mexico. The Contractor and its agents and employees shall not accrue leave, retirement, insurance, bonding, use of state vehicles, or any other benefits afforded to employees of the State of New Mexico as a result of this Agreement. The Contractor acknowledges that all sums received hereunder are reportable by the Contractor for tax purposes, including without limitation, self-employment and

business income tax. The Contractor agrees not to purport to bind the State of New Mexico unless the Contractor has express written authority to do so, and then only within the strict limits of that authority.

7. **Assignment.**

The Contractor shall not assign or transfer any interest in this Agreement or assign any claims for money due or to become due under this Agreement without the prior written approval of the Agency.

8. **Subcontracting.**

The Contractor shall not subcontract any portion of the services to be performed under this Agreement without the prior written approval of the Agency.

9. **Release.**

Final payment of the amounts due under this Agreement shall operate as a release of the Agency, its officers and employees, and the State of New Mexico from all liabilities, claims and obligations whatsoever arising from or under this Agreement.

10. **Confidentiality.**

Any confidential information provided to or developed by the Contractor in the performance of this Agreement shall be kept confidential and shall not be made available to any individual or organization by the Contractor without the prior written approval of the Agency.

11. **Product of Service -- Copyright.**

All materials developed or acquired by the Contractor under this Agreement shall become the property of the State of New Mexico and shall be delivered to the Agency no later than the termination date of this Agreement. Nothing developed or produced, in whole or in part, by the Contractor under this Agreement shall be the subject of an application for copyright or other claim of ownership by or on behalf of the Contractor.

12. **Conflict of Interest; Governmental Conduct Act.**

The Contractor warrants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance or services required under the Agreement. The Contractor certifies that the requirements of the Governmental Conduct Act, Sections 10-16-1 through 10-16-18, NMSA 1978, regarding contracting with a public officer or state employee or former state employee have been followed.

13. **Amendment.**

A. This Agreement shall not be altered, changed or amended except by instrument in writing executed by the parties hereto and all other required signatories.

B. If the Agency proposes an amendment to the Agreement to unilaterally reduce funding due to budget or other considerations, the Contractor shall have the option to terminate the Agreement or to agree to the reduced funding, within thirty (30) days of receipt of the proposed amendment.

14. Merger.

This Agreement incorporates all the Agreements, covenants and understandings between the parties hereto concerning the subject matter hereof, and all such covenants, Agreements and understandings have been merged into this written Agreement. No prior Agreement or understanding, oral or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in this Agreement.

15. Penalties for violation of law.

The Procurement Code, Sections 13-1-28 through 13-1-199, NMSA 1978, imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for illegal bribes, gratuities and kickbacks.

16. Equal Opportunity Compliance.

The Contractor agrees to abide by all federal and state laws and rules and regulations, and executive orders of the Governor of the State of New Mexico, pertaining to equal employment opportunity. In accordance with all such laws of the State of New Mexico, the Contractor assures that no person in the United States shall, on the grounds of race, religion, color, national origin, ancestry, sex, age, physical or mental handicap, or serious medical condition, spousal affiliation, sexual orientation or gender identity, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity performed under this Agreement. If Contractor is found not to be in compliance with these requirements during the life of this Agreement, Contractor agrees to take appropriate steps to correct these deficiencies.

17. Applicable Law.

The laws of the State of New Mexico shall govern this Agreement, without giving effect to its choice of law provisions. Venue shall be proper only in a New Mexico court of competent jurisdiction in accordance with Section 38-3-1 (G) NMSA 1978. By execution of this Agreement, Contractor acknowledges and agrees to the jurisdiction of the courts of the State of New Mexico over any and all lawsuits arising under or out of any term of this Agreement.

18. Workers Compensation.

The Contractor agrees to comply with state laws and rules applicable to workers compensation benefits for its employees. If the Contractor fails to comply with the Workers Compensation Act and applicable rules when required to do so, this Agreement may be terminated by the Agency.

19. Records and Financial Audit.

The Contractor shall maintain detailed time and expenditure records that indicate the date; time, nature and cost of services rendered during the Agreement's term and effect and retain them for a period of three (3) years from the date of final payment under this Agreement. The records shall be subject to inspection by the Agency, the Department of Finance and Administration and the State Auditor. The Agency shall have the right to audit billings both before and after payment. Payment under this Agreement shall not foreclose the right of the Agency to recover excessive or illegal payments

20. Indemnification.

The Contractor shall defend, indemnify and hold harmless the Agency and the State of New Mexico from all actions, proceeding, claims, demands, costs, damages, attorneys' fees and all other liabilities and expenses of any kind from any source which may arise out of the performance of this Agreement, caused by the negligent act or failure to act of the Contractor, its officers, employees, servants, subcontractors or agents, or if caused by the actions of any client of the Contractor resulting in injury or damage to persons or property during the time when the Contractor or any officer, agent, employee, servant or subcontractor thereof has or is performing services pursuant to this Agreement. In the event that any action, suit or proceeding related to the services performed by the Contractor or any officer, agent, employee, servant or subcontractor under this Agreement is brought against the Contractor, the Contractor shall, as soon as practicable but no later than two (2) days after it receives notice thereof, notify the legal counsel of the Agency and the Risk Management Division of the New Mexico General Services Department by certified mail.

21. New Mexico Employees Health Coverage.

A. If Contractor has, or grows to, six (6) or more employees who work, or who are expected to work, an average of at least 20 hours per week over a six (6) month period during the term of the contract, Contractor certifies, by signing this agreement, to have in place, and agree to maintain for the term of the contract, health insurance for those employees and offer that health insurance to those employees no later than July 1, 2010 if the expected annual value in the aggregate of any and all contracts between Contractor and the State exceed \$250,000 dollars.

B. Contractor agrees to maintain a record of the number of employees who have (a) accepted health insurance; (b) declined health insurance due to other health insurance coverage already in place; or (c) declined health insurance for other reasons. These records are subject to review and audit by a representative of the state.

C. Contractor agrees to advise all employees of the availability of State publicly financed health care coverage programs by providing each employee with, as a minimum, the following web site link to additional information: <http://insurenwnewmexico.state.nm.us/>.

22. Employee Pay Equity Reporting

Contractor agrees if it has ten (10) or more New Mexico employees OR eight (8) or more employees in the same job classification, at any time during the term of this contract, to complete and submit the PE10-249 form on the annual anniversary of the initial report submittal for contracts up to one (1) year in duration. If contractor has (250) or more employees contractor must complete and submit the PE250 form on the annual anniversary of the initial report submittal for contracts up to one (1) year in duration. For contracts that extend beyond one (1) calendar year, or are extended beyond one (1) calendar year, contractor also agrees to complete and submit the PE10-249 or PE250 form, whichever is applicable, within thirty (30) days of the annual contract anniversary date of the initial submittal date or, if more than 180 days has elapsed since submittal of the last report, at the completion of the contract, whichever comes first. Should contractor not meet the size requirement for reporting at contract award but subsequently grows such that they meet or exceed the size requirement for reporting, contractor agrees to provide the required report within ninety (90) days of meeting or exceeding the size

requirement. That submittal date shall serve as the basis for submittals required thereafter. Contractor also agrees to levy this requirement on any subcontractor(s) performing more than 10% of the dollar value of this contract if said subcontractor(s) meets, or grows to meet, the stated employee size thresholds during the term of the contract. Contractor further agrees that, should one or more subcontractor not meet the size requirement for reporting at contract award but subsequently grows such that they meet or exceed the size requirement for reporting, contractor will submit the required report, for each such subcontractor, within ninety (90 days) of that subcontractor meeting or exceeding the size requirement. Subsequent report submittals, on behalf of each such subcontractor, shall be due on the annual anniversary of the initial report submittal. Contractor shall submit the required form(s) to the State Purchasing Division of the General Services Department, and other departments as may be determined, on behalf of the applicable subcontractor(s) in accordance with the schedule contained in this paragraph. Contractor acknowledges that this subcontractor requirement applies even though contractor itself may not meet the size requirement for reporting and be required to report itself.

Notwithstanding the foregoing, if this Contract was procured pursuant to a solicitation, and if Contractor has already submitted the required report accompanying their response to such solicitation, the report does not need to be re-submitted with this Agreement.

23. Invalid Term or Condition.

If any term or condition of this Agreement shall be held invalid or unenforceable, the remainder of this Agreement shall not be affected and shall be valid and enforceable.

24. Enforcement of Agreement.

A party's failure to require strict performance of any provision of this Agreement shall not waive or diminish that party's right thereafter to demand strict compliance with that or any other provision. No waiver by a party of any of its rights under this Agreement shall be effective unless express and in writing, and no effective waiver by a party of any of its rights shall be effective to waive any other rights.

25. Notices.

Any notice required to be given to either party by this Agreement shall be in writing and shall be delivered in person, by courier service or by U.S. mail, either first class or certified, return receipt requested, postage prepaid, as follows:

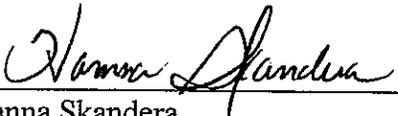
To the Agency:
Pamela Bowker, Deputy Director of the School Budget & Finance Analysis Bureau
300 Don Gaspar, Room 221
Santa Fe, NM 87501
Phone (505) 827-4708
Fax (505) 827-9931
pamela.bowker@state.nm.us

To the Contractor:
gFund Solutions, Attn: Sarah Smith
PO Box 3616
Roswell, NM 88202

26. Authority.

If Contractor is other than a natural person, the individual(s) signing this Agreement on behalf of Contractor represents and warrants that he or she has the power and authority to bind Contractor, and that no further action, resolution, or approval from Contractor is necessary to enter into a binding contract.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date of signature by the DFA Contracts Review Bureau below.

By: 
Hanna Skandera
Secretary of Education

Date: 2.21.11

By: 
Agency's Legal Counsel --Certifying legal sufficiency

Date: 2/17/11

By: 
Sarah Smith, Contractor

Date: 2/10/2011

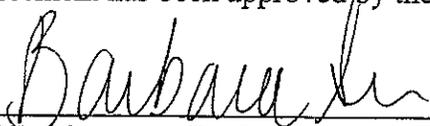
The records of the Taxation and Revenue Department reflect that the Contractor is registered with the Taxation and Revenue Department of the State of New Mexico to pay gross receipts and compensating taxes.

ID Number: 03-195043-00-4

By: 
Taxation and Revenue Department

Date: 2/14/11

This Agreement has been approved by the DFA Contracts Review Bureau:

By: 
DFA Contracts Review Bureau

Date: 3/30/11

Attachment 1

Scope of Work

Performance Measures

The function of the Public Education Department is to provide program and fiscal oversight to school districts. The Agency has determined that a revised manual could provide training, guidance, and clarity to school business officials and other stakeholders. The Agency identified the need to have an updated manual to enable school boards and administrators to be more effective stewards of public resources. Given increasingly limited resources and recent examples of waste or fraud by public school officials, it is critical that documents guiding financial reporting and accounting of public school funds be accurate, clear, and useful. An updated and reliable manual will help to ensure compliance with applicable laws and to reduce the risk of financial misconduct.

It is the intent of the Agency that the updated manual will serve as a guiding document to assist all school districts and charter schools to understand and comply with current financial reporting requirements. Further, the agency is seeking a revised manual that will help to strengthen internal controls and reduce waste, fraud, and abuse. The update and revision of the manual will ensure that processes and procedures described in the manual accurately reflect proper accounting standards, current business practices, requirements, and timelines at the PED and the US Department of Education (USDE). The Agency has identified sections of the manual that need to be updated or augmented, including sections on internal controls, financial audits, and prevention of waste, fraud, and abuse.

Risk/Control Assessment

Date
 Evaluator
 Overall Risk
 Corrective Actions - Describe on Separate sheet
 Communication Means - Describe on Separate sheet
 Approval
 Date of next assessment

	Policies & Procedures Followed			Risk to Assets			Cost/Benefit		Communication			Corrective Action	
	Never	Sometimes	Always	High	Med	Low	Positive	Negative	Department	Administration	Both	Needed	Date Complete
<u>Division of Duties/Reconciling Approvals</u>													
Separate people perform purchasing activities than those conducting reconciliation of accounts													
Reviewing and reconciling accounts payable control accounts is separate from the person who records the information													
All expenditures are approved in accordance with written purchasing policies & procedures that are updated annually													
<u>Non-competitive purchasing</u>													
Sole source purchasing is justified by notation on PO's, contracts and requisitions													
Emergency purchasing is justified by notation on PO's, contracts and requisitions													
Purchases utilizing existing contract are documented properly and in accordance with contract stipulations													
<u>Appropriateness of expenditures</u>													
Purchases are tested for reasonableness of derived benefit													
<u>Policies and Procedures</u>													
Policies and Procedures for competitive bidding are in place for purchases over a specified amount													
A Board of Education policy is in place for small purchases that sets forth procedures and limits for purchases below statutory thresholds.													
<u>Training and Professional Development</u>													
Personnel are adequately trained and cross trained in NM Procurement													
<u>Security and Computer/System Access</u>													
Access is strictly controlled = authorized personnel perform specified functions													



Legislative Education Study Committee

July 26, 2011, Tuesday

Draft Manual of Procedures for Public School Accounting and Budgeting

Project Overview

- ❖ Emphasis on the Law
- ❖ Internal Controls
 - ❖ Budgeting
 - ❖ Cash Controls
 - ❖ Reconciliations
 - ❖ Assessments and Controls
 - ❖ Financial Systems
- ❖ Special Requirements for Diverse Funds
- ❖ Practical Tips, Formats, Assessments for Reporting to Governing Boards
- ❖ Guidance on the Prevention of Waste, Fraud and Abuse
- ❖ Glossary and Acronyms

Budget Planning, Preparation and Maintenance – Supplement 1

- ❑ Planning and Preparation - Techniques and Strategies
- ❑ Types of Budgeting Approaches
- ❑ Best Practices - Tools Needed for Budgeting
- ❑ Appropriateness of Expenditures
- ❑ Funding for New Mexico
- ❑ Funding Formula - Concept
 - ❑ Brief History
 - ❑ Distribution Tool
 - ❑ Basic Components
 - ❑ Program Cost
- ❑ Public Education Department's Operating Budget Management System (OBMS)
- ❑ Budget Forecasting – Revenue and Expenditures

Students → Units → Dollars

Internal Controls

Supplement 2

COSO Definition

to provide reasonable assurance regarding specific district financial goals and objectives and the plans, methods and procedures to meet those goals.

Emphasis is on these five elements

- ❖ The Control Environment
- ❖ Risk Assessment
- ❖ Control Activities
- ❖ Information and Communication
- ❖ Monitoring

Sample Internal Control Procedures

Risk Assessment Tool

UCOA Preface to Supplement 3

- Emphasis on Account Code String

Fund Function Object Program Location Job Class



XXXXXX. XXXX. XXXXXX. XXXX. XXX/XXX. XXXX

- Usefulness in Organizing and Summarizing Financial Information using the UCOA

Federal and State Grants

Supplement 4

- Management's Responsibilities
 - Relationship of the Business Office and Program Managers
- Internal Controls
- Administrative Costs
- Using the Uniform Chart of Accounts for Budgeting
- Requests for Reimbursements (RfRs)
- Cash Flow



Financial Statements

Supplement 5

- ❑ GASB 34 and 54 Changes
- ❑ District-Wide Financial Statements
 - Statement of Net Assets
 - Statement of Activities
- ❑ Management's Discussion and Analysis (MD&A)
- ❑ Required Supplementary Information (RSI)
- ❑ Interim Reporting Objectives
- ❑ Difference in Cash Basis and Full Accrual Basis of Accounting

Financial and Compliance Audit Supplement 6

- ❑ The Audit Act
- ❑ The Audit Contract
- ❑ Requirements Pertaining to School Districts and Charter Schools
 - ❖ Compliance
 - ❖ Written Policies and Administrative Procedures
 - ❖ Cash Reconciliation
 - ❖ Agency Funds
 - ❖ Sanctions for Late Reports



Cash Controls

Supplement 7

- Collection and Deposit of Funds
- Disbursement of Funds
- Documentation
- Temporary Transfers
- Permanent Transfers
- Internal Controls
 - Separation of Duties
 - Revenue Cycle Controls
 - Expenditure Controls
 - Budgetary Controls
 - Risk Assessment Tool
- Cash Reconciliation
- The Cash Report – *A Required Document*



Public Fund Deposits and Investments

Supplement 8

- Types of Deposits
- Interest Rates
- Collateral Requirements – The Calculation
- Types of Investments
 - State General Fund Investment Pool
 - Overnight Investments
- Local Investments Policies and Controls
 - Adopted by the Governing Boards
- Risk Assessment Tool

Instructional Materials

Supplement 9

- Allocation and Disbursement of IM Funds
- Budget Development
 - Tools Needed for Planning
 - Preparation and Maintenance of IM Funds
 - Sample Revenue and Expenditure Budget
- Reporting and Record Keeping
- Model Policy for Governing Boards and Administration
 - Textbooks for Students
 - Student Parent Responsibilities
 - School Responsibilities
- Risk Assessment Tool

Warehouse/Supply Inventory

Supplement 10

- Warehouse
- Central Receiving
- Just-In-Time Inventories
- Internal Controls for Warehouse
 - Written Policies and Procedures
 - Separation of Duties
 - Protection of Assets
 - Warehouse Management Systems
 - Risk Assessment Tool

Insurance

Supplement 11

- ❑ New Mexico Public School Insurance Authority
- ❑ Risk Programs and Types of Coverage
- ❑ Benefits Related Coverage
 - ❑ Employee Enrollment
- ❑ Waivers and Participation Requirements
- ❑ Billings and Payments
 - ❑ Emphasis on Timely Reporting
- ❑ Staff Training
 - ❑ Comprehensive List of Programs Offered including Instruction on Worker's Compensation, Playground Safety and Fair Labor Standards Act.
- ❑ Best Practices to Minimize Risk to Staff and Students

Capital Assets

Supplement 12

- GASB 34 Change
- Capital Asset Controls
 - Authorization
 - Relationship between Receiving and Purchasing
 - Tagging the Assets
 - Assigned Location
 - Fund Identity
 - Responsibility
- The Accounting System
- Reconciliation to Financial Records
- Construction in Progress (CIP)
- Donated Assets
- Supply Assets



Purchasing – Supplement 13

- Local Policies
 - Adopted by Governing Boards
 - Driven by New Mexico Procurement Code Requirements
 - General Controls to Manage Purchasing Activities
- Types of Procurements
 - Cooperative Purchasing
 - Requests for Proposals
 - Bid Requirements
- The Procurement Cycle
 - Purchasing
 - Receiving
 - Payment for Goods or Services
- Ethical Standards



Payroll

Supplement 14

- Local Administrative Procedures
 - Adopted by Governing Boards
- Payroll Preparation and Reporting
- Payroll and Human Resource Department's Roles and Responsibilities
- Internal Controls and Best Practices
- Training and Experience
 - Personnel Licensure and Management
 - Reporting for Funding Purposes
- Pay Requirements
 - Fair Labor Standards
 - Salary Schedules
 - Contracts
- Risk Assessment Tool



Bonds/Capital Projects/Debt Service

Supplement 16

- General Obligation Bonds
- Constitutional Limits
- Debt Management Plan
- Successful Elections
- The Bond Sale
- Capital Projects Funds and the UCOA
- Project Management and Accounting including Sample Budget Worksheets and SB-9 Calculation
- Debt Service Fund – Budget Worksheet

Student Nutrition Supplement 17

- Federal Funding and Accounting
- Revenue Generation
- Cash Controls
- Expenditures
 - Purchasing and Bids
 - Commodities
 - Labor Costs
- Inventories
- Practical Budgeting and Accounting Worksheet including Internal Controls and Risk Assessment Tool



Student Activity and Athletics – Supplement 18

- Agency Funds and District Funds' Management
- Implementation of Local Policies and Procedures
 - Adopted by Governing Boards
- Internal Controls
- Cash Collection Activities
- Application of GASB Standards
- Fund Raising Activities
 - Responsibilities of Various Users
- Athletic Funds
 - Management of Revenue and Expenditures
 - Cash Balances
 - Title IX Applicability

Transportation

Supplement 19

- Transportation Regulations
- Budgeting
 - Contract Guidelines
 - Tools Needed
- Formula Calculation
- Local Administration
 - Governing Board Policies and Procedures
 - Controlled Substances Testing and Training for Employees
- Eligible Students
 - Reporting Timely and Accurately
- Transportation for Charter Schools
- Sample Administrative Handbook



Training and Travel

Supplement 20

Training

- Required Training and Licensure for School Business Officials
 - Competencies
- Succession Planning

Travel

- Written Policies and Procedures
 - Adopted by Governing Boards
- Per Diem and Mileage Act

Sample Travel Requests and Documentation

Records Retention and Disposition

Supplement 21

- Transition and Succession of Records
- Reproduction of Records
- Storage and Preservation
- Records Life Cycle
 - Procedures for Records Management
 - Filing of Public Records
 - Record Keeping and Proper Filing Procedures
- Filing Systems
- Electronic Data

Tips, Tools, and Resources

A NEW SECTION

- Sample Presentations and Illustrations
- Reports - Mandatory and Optional
 - Assist in achieving high levels of communication,
 - Exhibit transparency,
 - Assure accountability to various stakeholders,
 - Addresses compliance with state and federal requirements.
- Reports for Governing Boards
- Sample Forms Useful for Daily Operations
- Risk Assessment Tools for Selected Areas

Acronyms and Glossary

A NEW SECTION!

- Includes financial terms that are standard for the financial and instructional environment.
- Terms have been updated and properly referenced.
- Includes terms that are unique to New Mexico school business.

Thank you

Legislative Education Study Committee Staff

*Frances Ramirez -Maestas, Director
Craig Johnson*

Public Education Department

*Stephen Burrell, Director, School Budget Finance and Analysis Bureau
Pamela Bowker, Deputy Director*

Contractors

Caron B. Snow and Leslie Smith