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FISCAL IMPACT REPORT

SPONSOR Hall ORIGINAL DATE 02/05/10
LAST UPDATED _____ HB 251
SHORT TITLE School Board Finance Committees & Audits SB _____
ANALYST Aguilar

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
	None Noted		

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB227

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

House Bill 251 requires school districts and charter schools to establish a finance subcommittee of the governing board to assist the board in carrying out its budget and finance duties. The subcommittee is to provide recommendations to the board and serve as an external monitor on budget and finance issues.

The bill provides for each governing board to appoint an audit committee composed of two board members, a district parent and one member with experience in accounting and finance. The superintendent and the chief financial officer of the school district will serve as ex-officio members of the committee.

FISCAL IMPLICATIONS

This bill does not appear to have any fiscal impact on school districts.

SIGNIFICANT ISSUES

A recent performance analysis of school districts conducted by the Legislative Finance

Committee identified a number of financial and management irregularities, many that were consistent among the districts. It was clear from information received from the school districts that the financial oversight responsibilities of school boards is not as robust as it should be to properly account for the expenditure of public funds.

As of March 22, 2009, 23 school districts were out of compliance with statutory requirements to have timely audits submitted to the state auditor. By September 30, 2009, with considerable pressure applied by the state auditor and PED this number was reduced to 12 districts. The state auditor notified the LFC in September that he considers these school districts to be “at risk” for employee fraud and embezzlement. While some districts were late by a few months, the most egregious violators were late by as many as four years.

The provisions contained in this bill appear to be a way to help districts identify and correct financial and audit issues before they become problematic.

Community-School partnerships are considered by many to be a vital component for schools and school district success. These partnerships serve as a way for districts to learn and understand what is important to local communities and to improve a school district’s accountability to its citizens. This appears to be a way to ensure that school boards remain accountable for a school district’s operations.

OTHER SUBSTANTIVE ISSUES

There have been recent financial issues with school districts in which audits were not completed for several years or other financial issues occurred which were not known by the local school board until much later.

The duties of the finance committee are to make recommendations to the local school board in the following areas: (1) financial planning, including reviews of the school district’s revenue and expenditure projections; (2) review of financial statements and periodic monitoring of revenues and expenditures; (3) annual budget preparation and oversight; and (4) procurement. The finance committee will also serve as an external monitoring committee on budget and other financial matters.

The membership of the audit committee is to consist of two board members, one parent of a student attending that school district and members of the community within the school district who have experience in accounting and financial matters. The superintendent and the school district business manager shall serve as ex-officio members of the committee.

The duties of the audit committee are: (1) issue and evaluate the request for proposal for annual financial audit services; (2) approve the selection of the financial auditor; (3) attend the entrance and exit conferences for annual and special audits; (4) meet with external financial auditors at least monthly after audit field work begins until the conclusion of the audit; (5) be accessible to the external financial auditors as requested to facilitate communication with the board and the superintendent; (6) track and report progress on the status of the most recent audit findings and advise the local school board on policy changes needed to ameliorate audit findings; and (7) provide other advice and assistance as requested by the local school board.