

2025-001 (2024-022) Internal Controls Over Cash Disbursements (Other Noncompliance)

Condition/Context:

During our testing over cash disbursements, we noted that in 2 of 3 Travel/Per Diem samples tested, the reimbursement to employees for travel included full reimbursement of tips that exceeded the 20% cap by a combined \$2.73.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

Criteria:

State of New Mexico Travel Policy (2.42.2.12 NMAC), require that tips for meals and other services shall not exceed 20% of the cost of the service. Additionally, per NMAC 6.20.2.11, every school district must establish and maintain an internal control structure that provides 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 financial statements in accordance with GAAP.

Cause:

Review controls did not flag small variances from the tip cap prior to reimbursement.

Effect:

Noncompliance with policy and risk of inconsistent application of travel rules, even if immaterial in amount.

Auditor's Recommendation:

Configure expense/reimbursement review to auto-flag and adjust any tip amounts above 20%. Provide refresher guidance to travelers and approvers on the cap and how to document corrections.

Management's Response:

DATA concurs with the finding. The minor overage identified was the result of not flagging small tip variances during reimbursement review. To ensure compliance and consistency, the school will revise its travel reimbursement process. Going forward, all travel reimbursements will be issued as a flat refund of \$70, which will eliminate the potential for tip-related overages and ensure adherence to the State of New Mexico Travel Policy.

Implementation:

Beginning in FY2025–2026, all travel reimbursements will be processed as a flat refund of \$70, removing the need to calculate or reimburse individual tip amounts. This change

ensures compliance with the 20% tip cap requirement. Assistant Business Manager will review each reimbursement request to confirm the flat rate is applied consistently.

Person Responsible:

Assistant Business Manager

2025-002 (2022-033) 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:

- Accounts Payable: 4 of 11 samples tested (totaling \$103,374) were improperly excluded from accounts payable for FY25, resulting in incomplete recognition of liabilities.
- Leave Balances: Four employees had leave balances above maximum accruals (140 hours for 7-hr/day sick, 160 hours for 8-hr/day sick, and 80 hours annual for support staff), totaling 830 excess hours (~\$33,353).
- Capital Assets: DATA did not capitalize \$30,267 of capital asset additions. As a result, total assets were understated by \$30,267 and both depreciation expense and accumulated depreciation were understated by \$2,018.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2026.

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:

Year-end closing procedures did not ensure completeness of AP accruals and reconciliations across SURL and AP listings.

System and review controls did not enforce accrual caps or timely forfeit/payout per policy; monitoring of exceptions was inadequate.

Asset additions were expensed without review against capitalization criteria; capitalization review controls are not operating effectively.

Effect:

Understatement of liabilities and potential misstatement of expenditures, cash flow timing, and related state reporting.

Overstatement of compensated absences liability and risk of policy noncompliance, budget impact, and inequitable treatment across employees.

Misstatement of capital assets and depreciation; potential qualification or audit adjustments; weakened property control reporting.

Auditor's Recommendation:

Strengthen year-end AP cutoff procedures (three-way match to receiving, SURL/unpaid invoice listings, subsequent disbursement testing) and require a documented AP completeness checklist with supervisory sign-off.

Configure payroll/HRIS to hard-stop accruals at policy caps, run quarterly exception reports, and true-up balances (forfeiture or payout per policy). Align GASB 101 calculation inputs to capped balances and update disclosures.

Implement a capitalization gate in the purchase-to-pay process, periodic reconciliation between the GL and fixed asset subledger, and a quarter-end capitalization review with documented approvals.

Management's Response:

DATA concurs with the finding. The issues identified were the result of oversight in year-end review procedures and insufficient review controls over accruals, leave balances, and capitalization. Management recognizes the need to strengthen financial close procedures to ensure completeness and accuracy of financial reporting. Controls will be enhanced to ensure all liabilities, leave balances, and capital assets are properly recorded in accordance with GAAP and state requirements.

Implementation:

During FY2026, DATA will implement a documented year-end close checklist with supervisory review of completeness of accounts payable and accrual entries. Leave balances will be monitored quarterly through exception reporting, and corrective actions (forfeiture or payout) will be taken for balances exceeding policy limits. Capital asset additions will be reviewed quarterly against capitalization thresholds, and reconciliations between the general ledger and fixed asset sub-ledger will be documented. These actions will ensure proper financial reporting and compliance with applicable standards and policies.

Person Responsible:

Business Manager & Assistant Business Manager

2025-003 Procurement (Other Noncompliance)

Condition/Context:

During FY25, services procured by the school exceeded \$60,000, making them subject to competitive procurement requirements. The school referenced an external contract for procurement purposes; however, that agreement did not include provisions allowing other entities to utilize its terms. As a result, the school did not comply with state procurement requirements for competitive bidding or authorized cooperative purchasing.

Criteria:

NMSA 13-1-102, All procurement shall be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978. NMSA 13-1-135 allows cooperative procurement between state agencies, local public bodies and external procurement units.

Cause:

Misinterpretation of cooperative/piggybacking eligibility and insufficient verification of contract portability prior to award.

Effect:

Noncompliance with state procurement requirements; exposure to protest, unfavorable pricing, and potential disallowance.

Auditor's Recommendation:

When services are expected to exceed \$60,000, the school should conduct a formal IFB or RFP process or utilize a valid statewide or cooperative purchasing agreement. Additionally, the school must verify that any agreements used include explicit provisions allowing other entities to participate under the contract.

Management's Response:

DATA concurs with the finding. Several years ago, Data Charter School began exploring options for renovating the school's courtyard to create a functional and creatively designed outdoor space. At that time, there were no readily available vendors offering the specialized services desired for the project. Because the facility is owned by Albuquerque Public Schools (APS), the school reached out to APS for guidance and was referred to Westwind Landscape, one of APS's primary vendors with experience in similar projects. Based on that recommendation, the school obtained a quote from Westwind and ultimately proceeded under APS RFP #22-036 RRR, Master Agreement #15983.

DATA acknowledges that, while the project was procured through an APS-recommended vendor, the agreement did not include provisions authorizing use by other entities. The school understands this resulted in noncompliance with state procurement requirements and will take corrective action to ensure proper verification and documentation of contract eligibility going forward.

Implementation:

Beginning in FY2026, DATA will verify and document cooperative or statewide contract eligibility prior to utilizing any external agreements. For services expected to exceed \$60,000, the school will issue a formal Invitation for Bid (IFB) or Request for Proposal (RFP), or confirm participation under a valid cooperative purchasing agreement that explicitly allows use by other entities. Staff involved in procurement will receive refresher training on state procurement requirements to ensure ongoing compliance and prevent future misunderstandings.

Person Responsible:

Director & Business Manager
