

NEW MEXICO SCHOOL FOR THE ARTS  
HIGH SCHOOL

**FINANCIAL MANAGEMENT POLICY**

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**1. PURPOSE**

The New Mexico School for the Arts (the “School”) is a New Mexico statewide public high school. The purpose of this Financial Management Policy is to fulfill the mission of the School in the most effective and efficient manner, to protect the public trust and remain accountable to the New Mexico Public Education Department and the other stakeholders of the School, including the Governing Council (“Council”), employees, students, funders, and the community.

In order to accomplish this purpose, the School commits to provide accurate and complete financial data for internal and external use by its Council and administrators and to comply with applicable federal and state legal and regulatory requirements. The School, with the approval of the Finance Committee of the Council, will develop specific written procedures (“Financial Management Procedures”) and will implement those Procedures in carrying out the day to day financial management of the School. A copy of the current Financial Management Procedures will be attached to this Policy.

**2. FINANCIAL ACCOUNTABILITY**

**2.1 Financial Stewardship.** Financial Stewardship is defined as the responsibility for managing School resources wisely and executing these responsibilities with integrity and ethical conduct. School resources include time, money, people and property. The efficient, economical and ethical management of School resources is essential to the achievement of the mission and purpose of the School.

Stewardship responsibilities encompass total oversight of the resources available to each employee. Financial responsibilities include: spending money wisely and monitoring expenditures as if they were your own; purchasing goods and services wisely; being accountable for your actions, equipment, funding and time; and helping and encouraging others to be good stewards of their resources.

**2.2 Delegation of Authorities and Responsibilities.** The Council has the authority and ultimate responsibility for overseeing the financial management of all operations and activities. The council is responsible for reviewing the financial reports on a regular periodic basis and for providing training, as appropriate, to its members to enable each member to fulfill the duty of providing financial oversight for the School.

The Head of School has the responsibility for the day to day financial management. The Head of School has the authority to hire and supervise staff and independent consultants and the responsibility of ensuring that those persons meet applicable competency requirements. The Head of School has the authority to approve the payment of bills, receipt of funds and maintenance of bank accounts. The Head of School is authorized to enter into contracts for activities that have been approved by the Council as part of

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budgets or plans, but is not authorized to enter into other financial commitments without specific approval of the Council.

**2.3 Preparing and Reviewing Budgetary and Financial Transactions.** Two people are required to process each financial transaction: (1) a preparer who is responsible for accurately entering data and information about the transaction in all required fields and accounting systems in accordance with policies, procedures and other requirements, and (2) a reviewer who is responsible for inspecting and ensuring that each transaction is properly entered into the books and accounting systems of the School and complies with applicable policies and procedures and other federal and state legal and regulatory requirements.

**2.4 Signature Responsibility.** The School formally delegates signature responsibility to provide a method to control who may approve financial transactions and to meet the School's financial stewardship responsibilities. Dual signatures will be required at prudent levels for operating expenses and capital expenditures. The School with the approval of the Finance Committee of the Council will adopt and implement procedures for setting dual signature requirements. School employees who are delegated signature responsibilities should understand the School's financial stewardship philosophy, applicable policies and procedures and other requirements.

**2.5 Financial Transactions with Insiders.** No advances of funds to employees, officers or Council members are authorized. No funds shall be loaned to or borrowed from any employee, officer or Council member of the School.

### 3. BUDGETING

**3.1 Budget Preparation.** The Head of School has the responsibility for ensuring that the School's financial resources are managed in an efficient and cost-effective manner. The Head of School is responsible for overseeing the preparation of an annual budget. In order to ensure that operations and activities are consistent with Council approved priorities, goals and objectives, the Head of School shall submit operating and capital budgets for the School to the Finance Committee in time for reasonable approval by the Finance Committee and subsequent approval by the Council prior to each fiscal year. The budget shall be prepared using responsible assumptions and projection background and shall have a goal of ending the year with an unrestricted surplus. In addition, the Head of School shall oversee the preparation, submittal, maintenance and timely reporting of budgetary information in accordance with School budgetary procedures and applicable state laws and regulations. The Council will be made aware of any modifications made to the initial approved budget at the June meeting.

**3.2 Budget Maintenance.** All budget adjustment requests must be approved by the Head of School and all budget adjustment requests will be filed and reported on a timely basis in accordance with School procedures and applicable state laws and regulations.

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**3.3. Budget Reporting.** Actual financial results must be compared to the budget on a regular basis to detect changes in circumstances of the financial environment, identify and/or correct transaction errors and measure financial performance. Current financial reports, including a balance sheet, a revenue and expense statement and a cash operating statement, shall be submitted to the Finance Committee and subsequently to the Council prior to each regular meeting. Financial reports, cash balances and other required reports shall be submitted to the NM Public Education Department on a timely basis in accordance with School policy and state laws and regulations. If Actual financial results vary significantly from the budget, the Head of School must determine the cause, evaluate the activity and take corrective action. All departments must operate within budget and if significant excess expenditures occur, a formal plan must be adopted to eliminate the deficits.

#### 4. INTERNAL FINANCIAL CONTROLS

**4.1 Monitoring and Evaluating Financial Data.** The School shall establish and implement financial monitoring procedures to provide assurance that financial transactions are appropriate and accurately recorded. Procedures for monitoring and evaluating financial data should include:

- (1) Utilizing monthly financial reports that are clear and concise, provide budget vs. actual comparisons, and identify trends and special areas of concern;
- (2) Developing and following a method for reviewing the (i) asset and liability statement, (ii) revenue and expense statement, (iii) cash operating statement at the end of each accounting period;
- (3) Ensuring that transactions appearing on the general ledger are reconciled in a timely manner at the end of each accounting period to third party records, to School records and/or to state records and that all transactions are verified for amount, account classification, description and proper accounting period;
- (4) Sampling and reviewing on a regular periodic basis individual financial transactions by a supervisory person to ensure that transactions are appropriately approved, accurately recorded and supported by proper documentation; and
- (5) Determining why any significant deviation has occurred and establishing a method for taking corrective action and documentation of that action.

**4.2 Protecting Assets.** School assets must be protected from loss or unauthorized use. Adequate safeguards include:

- (1) All cash, checks, and cash equivalents must be processed and managed in a timely and proper manner;
- (2) All School assets must be properly described and accounted for in the School's financial system. Actual physical furniture, fixtures and equipment must be compared to assets recorded in the School's financial system on an annual basis. Discrepancies must be resolved in a timely manner and adjustments to asset records must be documented and approved.

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- (3) Access to any forms or on-line systems that can be used to alter financial balances must be restricted to specifically designated employees who require such access to perform their duties.
- (4) Appropriate insurances against theft and casualty losses and against liability losses shall be maintained at coverage and premium levels indicated in consultation with suitable professional resources.
- (5) Appropriate investment of funds and securities in accordance with applicable federal and state laws and regulations.

**4.3 Managing Data.** Financial management decisions affect every aspect of the School and those decisions can only be as good as the data on which they are based. The School shall establish and implement procedures to ensure data integrity in order to provide reasonable assurance that transactions are in accordance with management's authorization and are recorded in the general ledger in an accurate and timely manner. Procedures to ensure data integrity must adhere to the following requirements:

- (1) An adequate data control system including independent checks and balances must exist;
- (2) All systems used to report financial data must be secure, reliable, responsive and accessible. These systems must be designed, documented and maintained in accordance with accepted development and implementation standards.
- (3) All interfaces between financial systems and affecting financial information must contain controls to ensure the data is synchronized and reconciled.
- (4) Financial data and systems shall be held in a locked secure location when not in use.

**4.4 Separating Duties and Controls.** No single individual shall have complete control over all processing functions for any financial transaction. Such functions include: recording transactions into the financial system or through an interfacing system; authorizing transactions through pre-approval or post audit review; receiving or disbursing funds; reconciling financial system transactions; and recording corrections or adjustments. If one person performs multiple functions, then another person must review the work for accuracy, completeness, and timeliness. When segregation of duties is not possible or practical, increased management oversight is necessary to provide alternative internal controls. The Chair of the Council, Treasurer or other authorized member of the Council shall approve reimbursements and payments to the Head of School.

**4.5 Cash and Receivables Controls.** Appropriate cash management procedures shall be established to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of applicable federal and state laws and regulations. Individuals handling significant amounts of cash must be bonded. Cash receipts must be deposited on a timely basis in accordance with School financial management procedures. Deposits of public money shall either be (1) insured by the federal deposit insurance corporation or national credit union association or (2) secured by bonds or securities of a kind that meet the requirements of applicable federal and state law and regulations and

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otherwise shall comply with applicable federal and state legal and regulatory requirements. Cash held on site must not exceed prudent levels set by School financial management procedures and must be held in a locked secure location. Receivables must be invoiced and collected on a regular timely basis.

**4.6 Expenditure Controls.** All expenditures must comply with applicable federal and state regulatory and legal requirements as well as maintaining strict internal controls, close supervision, financial accounting requirements, and School policies and procedures.

**4.6.1 Purchasing.** Appropriate purchasing procedures shall be established to ensure that purchasing complies with (1) applicable federal and state laws and regulations, (2) the state Procurement Code, (3) grant requirements for purchases made with grant funding, and (4) a purchase order system that provides for the proper approval, documentation, recording and reconciliation of purchases.

**4.6.2 Payroll.** Appropriate payroll procedures shall be established and followed to ensure that payroll processing complies with applicable federal and state laws and regulations, employment contracts and compensation agreements, retirement and benefits plans, deduction authorizations and all other related employee compensation matters.

**4.6.3 Travel and Training.** Appropriate procedures for the processing and payment of travel and training expenses shall be established and followed to ensure that the payment of travel and training expenses complies with applicable federal and state laws and regulations and an approval and payment system that provides for the proper approval, documentation, recording and reconciliation of travel and training expenses.

**4.6.4. Grants.** Appropriate procedures for processing grant expenditures shall be established and followed to ensure that (1) expenditures are made in accordance with the purpose of the grant, (2) complete, accurate and timely reports are made in accordance with the requirements of the grant, (3) expenditures comply with applicable financial accounting requirements, and (4) applicable federal and state laws and regulations are followed.

**4.6.5. Other Services.** Appropriate procedures for processing expenditures for other services shall be established and followed to ensure that:

- (1) Food service funds are accounted for in a special revenue or enterprise fund and comply with federal and state laws and regulations including applicable US Department of Agriculture requirements;
- (2) No School funds are used to pay personal legal fees of any School employee or Council member; and
- (3) Student activity funds are accounted for in the same manner as any other funding budgeted in the operational sub fund and assets held for school organizations as agency funds are accounted for in accordance with applicable financial accounting requirements but are not required to be budgeted.

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**4.6.6. No Credit Cards.** The School shall not use credit card facilities.

**4.6.7. Payments.** All payments will be made by the Vendor due date. If a due date is not specified, payment will be made within 23 days of date of invoice.

## 5. COMPLIANCE

**5.1 Financial Reporting.** All financial transactions will be conducted in compliance with applicable financial reporting requirements, including Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Council (GASB) Statements, Cost Accounting Standards Council (CASB) Statements and Financial Accounting Standards Council (FASB) Statements. The basic requirements of these standards as applied to the School include the following:

- (1) Sources and uses of funds must be segregated by the type of activity they support in accordance with any restrictions imposed on their use, and restricted donor funds and Council designated funds must be separated from general operating funds and accounted for separately in accordance with the restrictions imposed on their use; and
- (2) Revenues are reported when earned and expenditures are reported when goods or services are received.

Accounting principles must be applied on a consistent basis both, within fiscal years and between fiscal years. Financial management is charged with ensuring consistent, School-wide application of these accounting principles. Reports to sponsoring entities will be made in accordance with specific reporting requirements. Generally, most sponsoring entities require adherence to GAAP. Additionally, federal and state agencies and entities which serve as conduits for federal and state funds require adherence to the Office of Management and Budget (OMB) Circulars and/or Federal Acquisition Regulations (FAR). OMB Circular A-21 provides the cost principles for educational institutions. The principles define allowable costs as those which are reasonable, allocable, consistently and provide guidelines for calculating indirect costs.

**5.2 Annual Audit.** The School shall have an annual audit of its financial records in compliance with state requirements. The preparation and submission of the audit of the School shall comply with state legal and regulatory requirements.

**5.3 Records Retention.** The School will maintain financial records in compliance with applicable regulatory requirements and School policy. This includes maintaining financial records for periods which comply with applicable federal and state laws and regulations and financial accounting standards. In cases where there is pending litigation or audits, all records must be maintained until the action is concluded.

**5.4 Public Education Laws.** The School is a New Mexico (“State”) public charter high school. It will conduct all financial transactions in accordance with applicable state laws

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and regulations, including without limitation, the applicable provisions of the State Public School Code (Chapter 22, NMSA 1978), the State Public Money Act (Sections 6-10-1, et seq., NMSA 1978), the State Procurement Code (Sections 13-1- 21 et seq., NMSA 1978), the State Public Records Act (Sections 14-3-1, et seq.,

NMSA 1978), the State Open Meetings Act (Sections 10-15-1 et seq., NMSA 1978), the State Per Diem and Mileage Act (Sections 10-8-1 et seq., NMSA 1978), and the State Tort Claims Act (Sections 41-4-1 et seq., NMSA 1978)

**5.5 Tax Laws.** The School must ensure that appropriate personnel are informed of the various tax requirements that are applicable to their duties. Taxes applicable to the School include:

(1) New Mexico gross receipts and compensating taxes. The School is responsible for reporting and paying New Mexico gross receipts and compensating taxes on those transactions that are not exempt from such taxes. The School is responsible for obtaining non-taxable transaction certificates and other such reports and forms, as necessary, for transactions which are exempt from New Mexico gross receipts and compensating taxes.

(2) Employment taxes. The School is responsible for reporting income which is subject to federal and state income taxes, including income paid for salary and wages, supplemental pay, undocumented reimbursements and various allowances, such as housing in accordance with federal and state tax laws and regulations. The School is responsible for ( 1) withholding taxes on compensation based upon the employee's Form W-4 or other appropriate form, (2) remitting the actual tax payments to federal and state tax authorities, (3) filing required tax returns and distributing required wage forms to employees.

(3) Other income payments. Income paid to individuals who are not employees of the School or to employees for events (such as prizes and awards) which are outside normal payroll transactions must be accumulated and reported as taxable income. Tax identification numbers and appropriate tax forms must be obtained from the payees and annual income reporting forms such as Form 1099 must be prepared and sent.

(4) Property taxes. The School is generally exempt from paying property taxes. The Schools will file applicable exemption forms and reports and claims for refunds.

**5.6 Reporting Fraudulent or Illegal Acts.** Any person who becomes aware of fraudulent or illegal business transactions conducted in the name of the School shall properly report the transaction. This includes:

(1) Any person who suspects that fraud or illegal activities are taking place must report the suspicion to his or her supervisor. If a person suspects that his or her supervisor is committing fraudulent or illegal acts or if the person is uncomfortable in reporting the suspected activity to his or her supervisor, then the person shall report the suspicion to the Head of School or to the Chair of the Council. Supervisors who receive reports of suspicious transactions must review them and if they have merit report to the next level of management or to the Chair of the Council.



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(2) Persons conducting business on behalf of the School are personally responsible for the consequences of any violations they commit.

(3) Persons conducting business on behalf of the School must do so for the benefit of the School. If a potential for personal gain exists, the potential conflict of interest must be reported immediately and be carefully evaluated in compliance with the Conflict of

Interest Policy before any such financial transactions are allowed to occur.

**5.7 Responding and Resolving Audit Findings.** Responding to external audit findings from regulatory agencies includes ensuring the following:

(1) The Head of School is notified prior to commencement of any audit or review by the external regulatory agency;

(2) A full investigation of the facts is conducted to ensure accuracy of findings. If a finding is in error, then full documentation must be sent immediately to the appropriate parties. If a finding is valid, then corrective action must be taken immediately to correct the deficiency and to ensure that the situation does not recur. If findings result in disallowances then the disallowances must be covered with other appropriate funds.

This Fiscal Management Policy was amended by the Governing Council of the New Mexico School for the Arts, effective December 12, 2017.

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ATTEST;



BILL BEACHAM, Chair  
of the Governing Council



PAULA TACKETT, Secretary  
of the Governing Council