

Finance and Purchasing

Better Informed Public Official (BIPO) Presentation
December 8, 2020

Presenters:

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Agenda

- Finance and Purchasing (10:30 AM – 11:30 AM)
 - Board of Finance (BOCC)
 - Budgeting and Procurement
 - Accounting Contracts and Audit Procedures
 - Understanding Anti-donation

What are the roles of the Board of Commissioners?

- Board of Finance
 - Works with Elected Treasurer on investment strategy and policy
- Board of County Commissioners fiscal responsibilities
 - Budgeting
 - Taxing
 - Issuing of bonds

Government Accounting

- When we talk about Government Accounting, it's important to talk about the Funds involved, hence the reference to "Fund Accounting", which applies to government budgets.
- The General Fund, accounts for all financial resources not included in other Funds i.e. DWI, E911, etc...

What is a Budget?

- A budget is a financial plan and/or FORECAST of expenditures and revenues, over a period of time.
 - Monetary plan
 - Communication tool
 - Legally binding contract
- The State of New Mexico and Counties operate on a fiscal year
 - July 1 to June 30 of the following year
 - Example: Fiscal year 2021, or FY21 comprises the period from July 1, 2020 through June 30, 2021
- State of New Mexico statutory requirement to submit a balanced budget
 - NM Statute Section 6-6-2 NMSA 1978
 - Department of Finance and Administration (DFA) Local Government Division by June 1 of each year for the coming fiscal year (Interim Budget)
 - In September the budget is reconciled to the June 30 ending cash balances and appropriate adjustments made (Final [Adjusted]Budget)

Budgeting Do's and Don'ts

- Budgeting Do's
 - Revenues must equal expenditures
 - Put one-time revenue windfalls in a reserve fund in the event of an emergency or for future capital or information technology improvements
 - Account for DFA reserve – 3 months (25%) of your operating budget
 - Start a capital equipment reserve; use sales of equipment proceeds towards a “Capital Improvement Program” fund
 - Regular review of department needs, projects and programs
 - Establish a 3 to 5 year forecast of revenue and expenditures
- Budgeting Don'ts
 - Never budget recurring costs, such as salary increases, from NON-recurring (one-time) revenues

Procurement and Purchasing

- State Procurement Statute 13-1-1
 - County may adopt a procurement code more stringent but not any less than the State code.
- Fair Market Value
 - A County must obtain an appraisal for any purchase or sale of property and may not pay more or sell for less than fair market value.

State Procurement and Purchasing website

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Home > GSD State Purchasing > Resources and Information > Resources And Information

State Purchasing Division

Active ITBs and RFPs

Chief Procurement Officer

Debarment Notices

Online Procurement

Recent Awards

Resources and Information

Statewide Price Agreements

Sole Source/Emergency Procurements

New Mexico Resident Business And/Or Veterans Preferences

Training

State Use Act

FAQ's

Compliment/Complaint Form

Required Documents for Contract Package

Contact Us

Resources and Information

Best Value Procurement Guide

Volume I - Developing Request for RFPs
Volume II - The RFP Process

Policies and Guidance Memos

Professional Services Determination Memo
SPD Policy Memo FY09-001: Cabinet Secretary Transmittal Letter Required for Procurement Code Violation Determinations 11/10/08
SPD Policy Memo FY09-002: Audit/Review Required for Procurement Code Violations Over \$100,000 01/08/09
SPD Policy Memo FY10-006: NM State Use Act Implementation 09/16/09
SPD Policy Memo FY13-002: Professional Services RFP Procurement Prior Approvals - 06/06/2013
SPD Policy Memo FY13-003: Professional Services with Small Amounts of Non-Professional Services or Goods

Public Purchases and Property



Chapter 13 - Public Purchases and Property 13-1-21. Application of preferences.

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CHAPTER 13 Public Purchases and Property

ARTICLE 1 Procurement

13-1-1 to 13-1-20. Repealed.

ANNOTATIONS

Repeals. — Laws 1984, ch. 65, § 175, repealed 13-1-1 to 13-1-20 NMSA 1978, relating to public purchases, effective November 1, 1984.

> 13-1-21. Application of preferences.

A. For the purposes of this section:

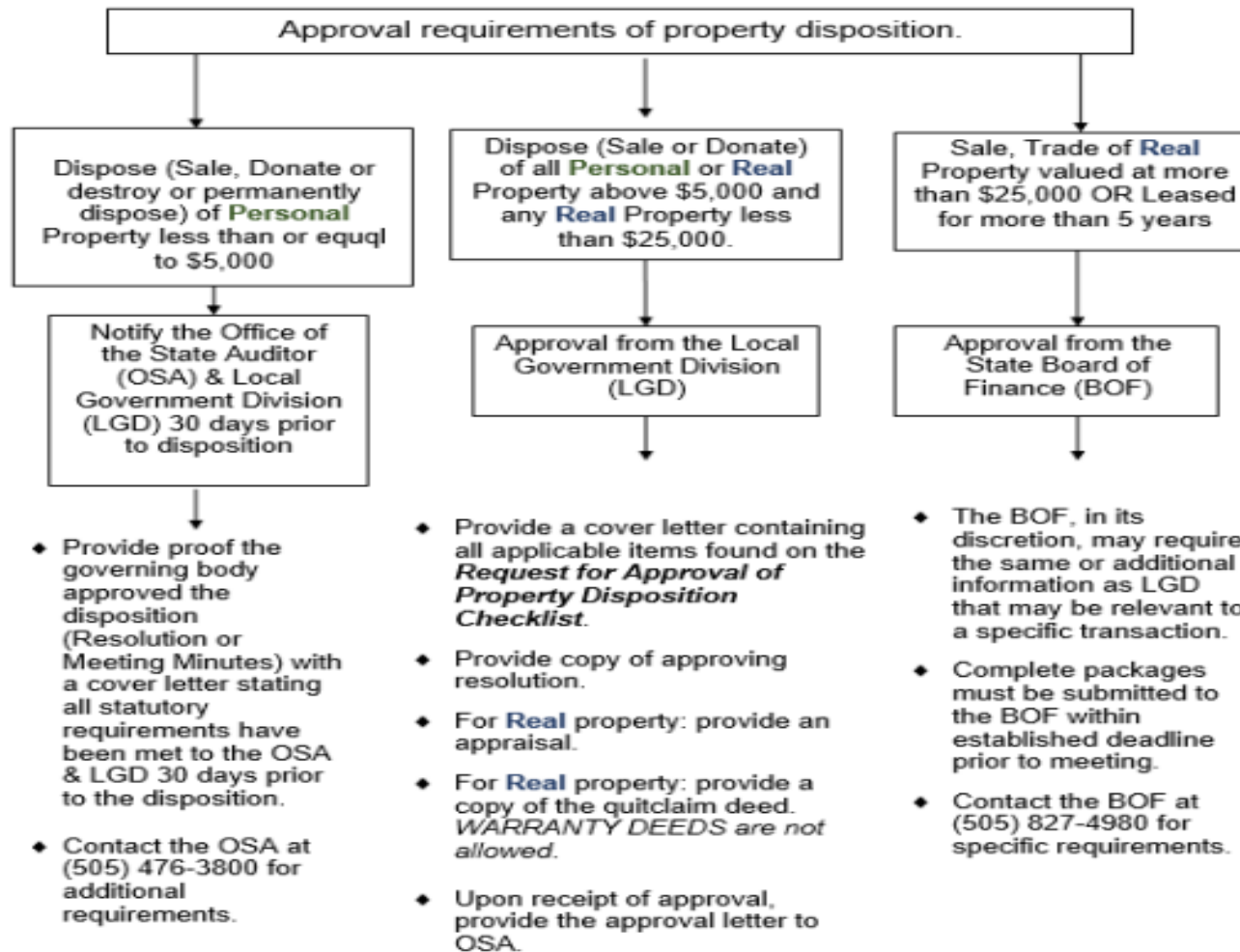
Disposition of Property

- Counties & Special Districts Approval requirements of property Disposition Dispose (Sale, Donate or destroy or permanently dispose) of Personal Property less than or equal to \$5,000:
- Disposal of property must be pre approved by DFA
- Fair Market Value

Property Disposition

Property Disposition: Counties and Special Districts

NMSA 1978, Section 13-6



Positives about undergoing an audit!

- Accountability – commitment to those that elected you and the County.
- Users – gives “users” the vital and timely information they need to be informed and make decisions (example – legislative capital outlay funding).
- Dedication – helps set the right tone at the top. You can be proud of undergoing an audit. Also, dedicate resources to fixing any identified issues or findings.
- Information – provides an independent report on the County’s most recent financial information. The notes to the financial statements and MD&A provide valuable current and historical information. One stop shop for comprehensive financial information!
- Transparency – provides a public, transparent report on the County’s operations.

How to read your Audit



Office of the State Auditor
BRIAN S. COLÓN, ESQ.



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How to read a typical financial audit report

Background

Normally provides perspective on organizational mission, key processes or initiatives, funding levels, how the audit came about, major concerns triggering the audit etc.

Methodology

Normally describes how the audit was conducted in terms of sampling methodologies or transactions selected for evaluation

Executive Summary

Normally provides a high level summary of significant audit findings, observations or conclusions.

Findings

Describes significant shortcomings identified during the audit. A finding is typically organized in the following manner:

- **Condition**
The specific situation/shortcoming)
- **Criteria**
Policy, duty or good business practice being violated)
- **Effect**
Risk or adverse impact associated with this condition)
- **Cause**
The likely reason this condition exists)
- **Recommendation**
How the condition might be remedied/fixed)

Scope of Work

Normally identifies the areas being evaluated, the time period under review, and may specify activities or transaction types looked at or not looked at.

Management Response

When included, normally constitutes a managerial perspective on corrective actions considered necessary to resolve the finding.

Note

Due to the nature of Fraud and Special Audits and the primary stakeholders associated with such audits, a Management Response will typically not be associated with the related audit report.

Process for Procuring Auditors



The screenshot shows the website for the Office of the State Auditor. At the top left is the state seal of New Mexico, followed by the text "Office of the State Auditor" and "BRIAN S. COLÓN, ESQ.". To the right are social media icons for Twitter and Facebook. A yellow navigation bar contains links for "About the OSA", "At-Risk Lists", "Laws & Regulations", "Communications", "FAQs", and "Contact". A red button labeled "Report Fraud" with an exclamation mark icon is on the far right. Below the navigation bar, a white menu lists "Auditing", "Contracting", "Tiered System Reporting", and "Accountability Office". The main content area has a dark blue header with the text "Procuring Contracts" and a breadcrumb trail: "Home > Contracting > Procuring Contracts". At the bottom, a dark blue bar contains three white buttons: "OSA-Connect Online Portal", "RFP Development Information", and "Notification Letters". Below this bar, a link for "2020 Audit Rule Video Presentation - Contracting" is visible.

Understanding Anti-donation

- **Anti-donation Clause of New Mexico Constitution (Article IX, Sec. 14):**
- Neither the state nor any county, school district or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit **or make any donation to or in aid of any person, association or public or private corporation** or in aid of any private enterprise for the construction of any railroad; provided:

Applying the Anti-donation Clause to Capital Outlay

- The NM Constitution prohibits public entities from donating to private entities
- Private entity **own** a publicly-financed capital asset, but they can **operate** them **if** certain conditions are met
- When there is a private operator, the market rental value of the public asset must be **appraised** to determine the fair market value of the asset
- Private operators can pay fair market rent in cash or in services
- If payment is made in services, the tenant has to be selected in compliance with the **Procurement Code** and the lease term has to be limited to the Procurement Code contract term limit
- The lease/operating agreement must have a “menu” of services to be provided and the value that each service will count towards rent. The value of each service must be demonstrated to be at fair market value