STATE OF NEW MEXICO

PUBLIC EDUCATION DEPARTMENT

Financial Statements
June 30, 2015

VOLUME II

AXIOM
Certified Public Accountants
and Business Advisors LLC

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STATE OF NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Agency / Pass-Through Agency	Pass - Through	Federal CFDA Number	Federal Participating Expenditures
PUBLIC EDUCATION DEPARTMENT			
DEPARTMENT OF AGRICULTURE:			
Food and Nutrition Service:			
Child Nutrition Cluster:			
School Breakfast Program	Federal Direct	10.553	$ 96,058,970
National School Lunch Program	Federal Direct	10.555	41,405,274
Total Child Nutrition Cluster			137,464,244
New Meal Patterns/SAE	Federal Direct	10.560	1,591,353
Fresh Fruit and Vegetable Program	Federal Direct	10.582	1,857,905
National School Lunch Program - Equipment	Federal Direct	10.579	199,189
Team Nutrition Grants	Federal Direct	10.574	7,498
TOTAL U.S. DEPARTMENT OF AGRICULTURE			141,120,189
U.S. DEPARTMENT OF EDUCATION:			
Office of Elementary and Secondary Education:			
Title I Grants to Local Educational Agencies	Federal Direct	84.010A	94,919,698
Total Title I Grants to Local Education Agencies			94,919,698
School Improvement Cluster:			
School Achievement Fund 1003(g)	Federal Direct	84.377A	2,170,997
ARRA - School Improvement Grants, Recovery Act	Federal Direct	84.388A	284
Total School Improvement Cluster			2,171,281
Education for Homeless Children and Youth	Federal Direct	84.196A	468,068
Total Education for the Homeless			468,068
Migrant Education - State Grant Program	Federal Direct	84.011A	616,882
Title I Program for Neglected and Delinquent Children	Federal Direct	84.013A	257,609
MEP Consort. Incentive Grants (Migrant Consortium)	Federal Direct	84.144F	131,866
Twenty-first Century Community Learning Centers	Federal Direct	84.287C	9,592,553
Rural Education	Federal Direct	84.358B	1,001,559
Title III English Language Acquisition Grants	Federal Direct	84.365A	2,360,322
Mathematics and Science Partnerships	Federal Direct	84.366B	889,079
Title II Improving Teacher Quality State Grants	Federal Direct	84.367A	11,351,342
Grants for State Assessments and Related Activities	Federal Direct	84.369A	3,966,497
Striving Readers	Federal Direct	84.371B	39,623
Total Office of Elementary and Secondary Education			127,766,379

See Notes to the Schedule of Expenditures of Federal Awards

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
For the Year Ended June 30, 2015

Federal Agency / Pass-Through Agency	Pass - Through	Federal CFDA Number	Federal Participating Expenditures
U.S. DEPARTMENT OF EDUCATION - continued:			
Office of Special Education and Rehabilitative Services:			
Special Education Cluster (IDEA)			
Special Education - Grants to States	Federal Direct	84.027A	91,273,998
Special Education - Preschool Grants	Federal Direct	84.173A	2,625,866
Total Special Education Cluster (IDEA)			93,899,864
Special Education - State Personnel Development	Federal Direct	84.323A	881,879
Office of Innovation and Improvement:			
Charter Schools	Federal Direct	84.282A	1,726
Advance Placement Program	Federal Direct	84.330B	47,810
Race to the Top	Federal Direct	84.412A	8,677,364
Total Office of Innovation and Improvement			8,726,900
Office of Vocation and Adult Education:			
Carl Perkins - Voc. Educ. - Basic Grants to States/Adult Educ. - State Grant Program	Federal Direct	84.048A	7,516,868
Florida Department of Education:			
PARCC - Support of Governing States	Federal Direct	84.395B	58,362
TOTAL U.S. DEPARTMENT OF EDUCATION			238,850,252
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Centers for Disease Control and Prevention:			
Centers for Disease Control and Prev. - Investigations and Tech. Assistance	Federal Direct	93.283	343,329
Office of the Secretary			
Pregnancy Assistance Fund Program	Federal Direct	93.500	1,521,186
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,864,515
TOTAL EXPENDITURES - PUBLIC EDUCATION DEPARTMENT			$ 381,834,956

See Notes to the Schedule of Expenditures of Federal Awards

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
For the Year Ended June 30, 2015

Federal Agency / Pass-Through Agency	Pass - Through	Federal CFDA Number	Federal Participating Expenditures
DIVISION OF VOCATIONAL REHABILITATION			
U.S. DEPARTMENT OF EDUCATION:			
Office of Special Education and Rehabilitative Services:			
Rehabilitation Services Cluster			
Rehabilitation Services - Vocational Rehabilitation Grants to States	Federal Direct	84.126A	$ 16,856,950
TOTAL REHABILITATION SERVICE CLUSTER			16,856,950
Independent Living State Grants	Federal Direct	84.169A	210,378
Rehab. Training - State Vocational Rehabilitation Unit In-Service Training	Federal Direct	84.265A	26,801
Supported Employment Services for Individuals with Severe Disabilities	Federal Direct	84.187A	281,227
TOTAL U.S. DEPARTMENT OF EDUCATION			17,375,356
SOCIAL SECURITY ADMINISTRATION:			
Disability Insurance	Federal Direct	96.001	11,556,364
TOTAL SOCIAL SECURITY ADMINISTRATION			11,556,364
TOTAL EXPENDIRUES - DIVISION OF VOCATIONAL REHABILITATION			28,931,720
TOTAL FEDERAL EXPENDITURES			$ 410,766,676

See Notes to the Schedule of Expenditures of Federal Awards

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the State of New Mexico Public Education Department ("PED") under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* . Because the Schedule presents only a selected portion of the operations of PED, it is not intended to and does not present the financial position or changes in net position of PED.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* , wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3. NON-CASH ASSISTANCE

The Department did not receive any federal non-cash assistance during the year ended June 30, 2015.

NOTE 4. LOANS

The Department does not have any loans outstanding with the Federal government at June 30, 2015.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

U.S. DEPARTMENT OF EDUCATION

Federal CFDA Number	Program Name	Subrecipient Name	Amount
84.010	Title I Grants to Local Educational Agencies		
		ACADEMY OF TRADES & TECHNOLOGY	$ 23,533
		ACADEMY OF TRADES AND TECHNOLOGY	41,560
		ACE LEADERSHIP HIGH SCHOOL	84,665
		ALAMOGORDO PUBLIC SCHOOLS	1,284,452
		ALBUQUERQUE PUBLIC SCHOOLS	20,363,685
		ALBUQUERQUE SCHOOL OF EXCELLENCE	26,926
		ALBUQUERQUE SIGN LANGUAGE ACADEMY	32,987
		ALDO LEOPOLD CHARTER SCHOOL	34,809
		ALMAD'ARTE CHARTER HIGH SCHOOL	28,894
		AMY BIEHL CHARTER SCHOOL	76,155
		ANIMAS PUBLIC SCHOOLS	91,501
		ANTHONY CHARTER SCHOOL	8,236
		ARTESIA PUBLIC SCHOOLS	685,131
		AZTEC MUNICIPAL SCHOOLS DISTRICT #2	404,271
		BELEN CONSOLIDATED SCHOOLS	1,473,952
		BERNALILLO PUBLIC SCHOOLS	970,522
		BLOOMFIELD SCHOOLS	944,989
		CAPITAN MUNICIPAL SCHOOLS	78,586
		CARLSBAD MUNICIPAL SCHOOLS	1,042,393
		CARRIZOZO MUNICIPAL SCHOOLS	94,608
		CENTRAL CONSOLIDATED SCHOOLS #22	3,183,908
		CESAR CHAVEZ COMMUNITY SCHOOL	70,736
		CHAMA VALLEY INDEPENDENT	90,668
		CIEN AGUAS INTERNATIONAL SCHOOL	33,494
		CIMARRON MUNICIPAL SCHOOLS	65,769
		CLAYTON MUNICIPAL SCHOOLS	128,223
		CLOUDCROFT MUNICIPAL SCHOOLS	97,903
		CLOVIS MUNICIPAL SCHOOLS	1,800,811
		COBRE CONSOLIDATED SCHOOLS	536,979
		CORAL COMMUNITY CHARTER	19,669
		CORONA PUBLIC SCHOOLS	30,396
		CUBA INDEPENDENT SCHOOLS	638,315
		DEMING PUBLIC SCHOOLS	2,513,955
		DES MOINES MUNICIPAL SCHOOLS	63,720
		DEXTER CONSOLIDATED SCHOOLS	203,773
		DORA CONSOLIDATED SCHOOL	62,314
		DULCE INDEPENDENT SCHOOLS #21	230,074
		EAST MOUNTAIN HIGH SCHOOL	28,462
		ELIDA MUNICIPAL SCHOOLS	26,220
		ESPANOLA PUBLIC SCHOOL DISTRICT #55	1,554,942
		ESTANCIA BOARD OF EDUCATION	223,033
		ESTANCIA VALLEY CLASSICAL ACADEMY	21,935
		EUNICE PUBLIC SCHOOLS	85,875
		EXPLORE ACADEMY	35,025
		FARMINGTON MUNICIPAL SCHOOLS	3,415,692
		FLOYD MUNICIPAL SCHOOLS	56,404
		FORT SUMNER MUNICIPAL SCHOOLS	56,001
		GADSDEN INDEPENDENT SCHOOL DISTRICT	6,352,553
		GALLUP MCKINLEY COUNTY SCHOOL	7,069,764
		GILBERT L SENA HIGH SCHOOL	84,104
		GRADY MUNICIPAL SCHOOLS	19,633
		GRANTS/CIBOLA COUNTY SCHOOL	1,270,791

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

U.S. DEPARTMENT OF EDUCATION

Federal CFDA Number	Program Name	Subrecipient Name	Amount
		GREAT ACADEMY, THE	17,211
		HAGERMAN MUNICIPAL SCHOOLS	190,647
		HATCH VALLEY MUNICIPAL SCHOOLS	1,102,208
		HEALTH LEADERSHIP HIGH SCHOOL	37,671
		HEALTH SCIENCES ACADEMY	39,970
		HOBBS MUNICIPAL SCHOOLS	1,215,030
		HONDO VALLEY SCHOOLS	72,787
		HORIZON ACADEMY WEST	223,245
		HOUSE MUNICIPAL SCHOOL	940
		INTERNATIONAL SCHOOL AT MESA DEL SOL,	23,402
		J PAUL TAYLOR ACADEMY	32,098
		JAL PUBLIC SCHOOLS	56,219
		JEMEZ MTN SCHOOL DIST NO 53	110,401
		JEMEZ VALLEY PUBLIC SCHOOLS	120,242
		LA ACADEMIA DOLORES HUERTA	80,300
		LA JICARITA COMMUNITY SCHOOL	27,085
		LA PROMESA EARLY LEARNING CENTER	144,018
		LA RESOLANA LEADERSHIP ACADEMY	28,375
		LA TIERRA MONTESSORI SCHOOL OF THE ARTS	29,736
		LAKE ARTHUR MUNICIPAL SCHOOLS	35,898
		LAS CRUCES PUBLIC SCHOOLS	312,160
		LAS CRUCES SCHOOL DISTRICT #2	7,437,297
		LAS VEGAS CITY SCHOOLS	484,497
		LOGAN MUNICIPAL SCHOOL	31,133
		LORDSBURG MUNICIPAL SCHOOLS	316,458
		LOS LUNAS SCHOOLS	2,379,193
		LOVING MUNICIPAL SCHOOLS	55,439
		LOVINGTON MUNICIPAL SCHOOLS	497,569
		MAGDALENA MUNICIPAL SCHOOLS	503,943
		MAXWELL MUNICIPAL SCHOOL	31,195
		MEDIA ARTS COLLABORATIVE CHARTER SCHOOL	39,517
		MELROSE MUNICIPAL SCHOOLS	67,752
		MESA VISTA CONSOLIDATED SCHOOL	63,423
		MISSION ACHIEVEMENT & SUCCESS CHARTER SC	107,252
		MONTESSORI ELEMENTARY SCHOOL	48,000
		MORA INDEPENDENT SCHOOLS	194,946
		MORIARTY MUNICIPAL SCHOOLS	710,557
		MOSQUERO MUNICIPAL SCHOOLS	2,433
		MOUNTAINAIR PUBLIC SCHOOLS	194,298
		NEW AMERICA SCHOOL LAS CRUCES	27,601
		NEW AMERICA SCHOOL, THE	80,292
		NEW MEXICO CONNECTIONS ACADEMY	175,994
		NEW MEXICO SCHOOL FOR THE ARTS	34,018
		NORTH VALLEY ACADEMY	128,500
		PECOS INDEPENDENT SCHOOLS	248,789
		PENASCO INDEPENDENT SCHOOL DISTRICT	107,611
		POJOAQUE VALLEY SCHOOLS	182,192
		PORTALES MUNICIPAL SCHOOLS	972,810
		QUEMADO INDEPENDENT SCHOOL	60,296
		QUESTA INDEPENDENT SCHOOLS	105,022
		RATON PUBLIC SCHOOLS	367,993
		RED RIVER VALLEY CHARTER SCHOO	12,457
		RESERVE SCHOOL DISTRICT	136,358

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

U.S. DEPARTMENT OF EDUCATION

Federal CFDA Number	Program Name	Subrecipient Name	Amount	
		RIO RANCHO PUBLIC SCHOOLS	1,602,894	
		ROSWELL INDEPENDENT SCHOOL DISTRICT	3,477,332	
		ROY MUNICIPAL SCHOOLS	11,238	
		RUIDOSO MUNICIPAL SCHOOLS	532,054	
		SAGE MONTESSORI CHARTER SCHOOL	12,285	
		SAN JON MUNICIPAL SCHOOLS	39,238	
		SANTA FE PUBLIC SCHOOLS	3,538,521	
		SANTA ROSA CONSOLIDATED SCHOOL	188,233	
		SCHOOL OF DREAMS ACADEMY	45,957	
		SILVER CITY CONSOLIDATED SCHOOLS	866,076	
		SOCORRO CONSOLIDATED SCHOOLS	742,913	
		SOUTH VALLEY PREPORATORY SCHOOL	58,489	
		SOUTHWEST AERONAUTICS MATHEMATICS &	23,062	
		SOUTHWEST INTERMEDIATE LEARNING CENTER	13,220	
		SOUTHWEST PRIMARY LEARNING CTN	15,434	
		SOUTHWEST SECONDARY LEARNING	28,474	
		SPRINGER MUNICIPAL SCHOOLS	57,513	
		T OR C MUNICIPAL SCHOOLS	606,712	
		TAOS ACADEMY	40,343	
		TAOS INTEGRATED SCHOOL OF THE ARTS	18,281	
		TAOS INTERNATIONAL SCHOOL	4,789	
		TAOS MUNICIPAL SCHOOLS	1,083,774	
		TATUM MUNICIPAL SCHOOLS	55,972	
		TEXICO MUNICIPAL SCHOOL	177,443	
		TIERRA ADENTRO OF NEW MEXICO	65,895	
		TUCUMCARI PUBLIC SCHOOLS	529,663	
		TULAROSA MUNICIPAL SCHOOLS	805,991	
		UPLIFT COMMUNITY SCHOOL	34,959	
		VAUGHN MUNICIPAL SCHOOLS	25,896	
		WAGON MOUND PUBLIC SCHOOLS	117,779	
		WALATOWA CHARTER HIGH SCHOOL	16,126	
		WEST LAS VEGAS SCHOOL DISTRICT	615,645	
		ZUNI PUBLIC SCHOOL DIST	956,474	
		Total for CFDA 84.010		93,976,149
84.377A	School Achievement Fund 1003(g)			
84.388A	School Improvement (ARRA)			
		ALAMOGORDO PUBLIC SCHOOLS	226,261	
		ALBUQUERQUE PUBLIC SCHOOLS	1,277,324	
		ALBUQUERQUE SIGN LANGUAGE ACADEMY	195,898	
		GALLUP MCKINLEY COUNTY SCHOOL	284	
		PECOS INDEPENDENT SCHOOLS	119,949	
		Total for CFDA 84.377A and 84.388A		1,819,716
84.011A	Migrant Education - State Grant Program			
		CLOVIS MUNICIPAL SCHOOLS	52,168	
		DEMING PUBLIC SCHOOLS	134,209	
		DEXTER CONSOLIDATED SCHOOLS	50,702	
		GADSDEN INDEPENDENT SCHOOL DISTRICT	78,869	
		HAGERMAN MUNICIPAL SCHOOLS	30,553	
		LAS CRUCES SCHOOL DISTRICT #2	44,555	
		PORTALES MUNICIPAL SCHOOLS	130,416	
		ROSWELL INDEPENDENT SCHOOL DISTRICT	12,059	

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

U.S. DEPARTMENT OF EDUCATION

Federal CFDA Number	Program Name	Subrecipient Name	Amount	
		T OR C MUNICIPAL SCHOOLS	40,928	
		Total for CFDA 84.011A		574,459
84.013A	Title I Program for Neglected and Delinquent Children			
		CENTRAL REGION EDUCATIONAL COOPERATIVE	257,609	
		Total for CFDA 84.013A		257,609
84.287C	Twenty-first Century Community Learning Centers			
		1ST CHOICE ENRICHMENT PROGRAMS	270,359	
		ALBUQUERQUE PUBLIC SCHOOLS	349,643	
		APPLETREE EDUCATIONAL CENTER	203,689	
		ATRISCO HERITAGE FOUNDATION	619,514	
		BERNALILLO PUBLIC SCHOOLS	333,148	
		CENTRAL CONSOLIDATED SCHOOLS #22	313,009	
		DULCE INDEPENDENT SCHOOLS #21	422,965	
		FARMINGTON MUNICIPAL SCHOOLS	138,342	
		GADSDEN INDEPENDENT SCHOOL DISTRICT	1,009,714	
		GALLUP MCKINLEY COUNTY SCHOOL	1,338,155	
		LAS CRUCES PUBLIC SCHOOLS	381,800	
		LAS VEGAS CITY SCHOOLS	338,270	
		NM COMMUNITY FOR LEARNING	311,220	
		PUEBLO OF LAGUNA DEPARTMENT OF EDUCATION	60,904	
		REGIONAL EDUCATION CENTER #6	596,190	
		RIO GRANDE EDUCATIONAL COLLABORATIVE	727,600	
		SAN JUAN COUNTY PARTNERSHIP	282,627	
		SANTA FE PUBLIC SCHOOLS	548,741	
		SOCORRO CONSOLIDATED SCHOOLS	219,448	
		YOUTH DEVELOPMENT INC	724,824	
		Total for CFDA 84.287C		9,190,162
84.358B	Rural Education			
		ARTESIA PUBLIC SCHOOLS	77,409	
		CLAYTON MUNICIPAL SCHOOLS	450	
		DEMING PUBLIC SCHOOLS	101,654	
		DULCE INDEPENDENT SCHOOLS #21	9,764	
		ESPANOLA PUBLIC SCHOOL DISTRICT #55	62,025	
		GALLUP MCKINLEY COUNTY SCHOOL	246,438	
		GRANTS/CIBOLA COUNTY SCHOOL	58,279	
		HATCH VALLEY MUNICIPAL SCHOOLS	32,486	
		LAS VEGAS CITY SCHOOLS	30,114	
		LORDSBURG MUNICIPAL SCHOOLS	11,205	
		PORTALES MUNICIPAL SCHOOLS	59,529	
		RATON PUBLIC SCHOOLS	19,278	
		RUIDOSO MUNICIPAL SCHOOLS	29,837	
		SANTA ROSA CONSOLIDATED SCHOOL	12,832	
		SILVER CITY CONSOLIDATED SCHOOLS	59,715	
		SOCORRO CONSOLIDATED SCHOOLS	25,562	
		T OR C MUNICIPAL SCHOOLS	25,188	
		TAOS MUNICIPAL SCHOOLS	22,925	
		TUCUMCARI PUBLIC SCHOOLS	6,917	
		TULAROSA MUNICIPAL SCHOOLS	16,082	
		WEST LAS VEGAS SCHOOL DISTRICT	30,340	
		ZUNI PUBLIC SCHOOL DIST	9,076	
		Total for CFDA 84.358B		947,105

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

U.S. DEPARTMENT OF EDUCATION

Federal CFDA Number	Program Name	Subrecipient Name	Amount	
84.365	Title III English Language Acquisition Grants			
		ALBUQUERQUE PUBLIC SCHOOLS	505,165	
		ARTESIA PUBLIC SCHOOLS	8,225	
		BELEN CONSOLIDATED SCHOOLS	4,504	
		BERNALILLO PUBLIC SCHOOLS	69,455	
		BLOOMFIELD SCHOOLS	37,040	
		CENTRAL CONSOLIDATED SCHOOLS #22	54,609	
		CLOVIS MUNICIPAL SCHOOLS	40,460	
		COBRE CONSOLIDATED SCHOOLS	5,969	
		CUBA INDEPENDENT SCHOOLS	9,705	
		DEMING PUBLIC SCHOOLS	73,568	
		DEXTER CONSOLIDATED SCHOOLS	8,798	
		DULCE INDEPENDENT SCHOOLS #21	14,226	
		FARMINGTON MUNICIPAL SCHOOLS	11,550	
		GADSDEN INDEPENDENT SCHOOL DISTRICT	425,086	
		GALLUP MCKINLEY COUNTY SCHOOL	110,097	
		GRANTS/CIBOLA COUNTY SCHOOL	16,882	
		HATCH VALLEY MUNICIPAL SCHOOLS	59,694	
		HOBBS MUNICIPAL SCHOOLS	75,619	
		JEMEZ MTN SCHOOL DIST NO 53	3,571	
		LAS CRUCES SCHOOL DISTRICT #2	246,357	
		LOS ALAMOS PUBLIC SCHOOLS	1,878	
		LOS LUNAS SCHOOLS	50,636	
		LOVINGTON MUNICIPAL SCHOOLS	7,463	
		MORIARTY MUNICIPAL SCHOOLS	9,271	
		NEW AMERICA SCHOOL, THE	22,214	
		POJOAQUE VALLEY SCHOOLS	8,846	
		PORTALES MUNICIPAL SCHOOLS	14,632	
		RATON PUBLIC SCHOOLS	6,610	
		REGION IX EDUCATION COOP	9,196	
		RIO RANCHO PUBLIC SCHOOLS	32,169	
		ROSWELL INDEPENDENT SCHOOL DISTRICT	119,640	
		SANTA FE PUBLIC SCHOOLS	107,738	
		SOUTH VALLEY PREPORATORY SCHOOL	126	
		TAOS MUNICIPAL SCHOOLS	7,198	
		WEST LAS VEGAS SCHOOL DISTRICT	8,845	
		ZUNI PUBLIC SCHOOL DIST	10,681	
		Total for CFDA 84.365		2,197,723
84.367A	Title II Improving Teacher Quality State Grants			
		ACE LEADERSHIP HIGH SCHOOL	7,096	
		ALAMOGORDO PUBLIC SCHOOLS	311,082	
		ALBUQUERQUE PUBLIC SCHOOLS	2,109,157	
		ALBUQUERQUE SCHOOL OF EXCELLENCE	1,171	
		ALDO LEOPOLD CHARTER SCHOOL	4,897	
		ALMAD'ARTE CHARTER HIGH SCHOOL	8,566	
		AMY BIEHL CHARTER SCHOOL	5,186	
		ANIMAS PUBLIC SCHOOLS	13,932	
		ARTESIA PUBLIC SCHOOLS	112,206	
		AZTEC MUNICIPAL SCHOOLS DISTRICT #2	31,907	
		BELEN CONSOLIDATED SCHOOLS	267,714	
		BERNALILLO PUBLIC SCHOOLS	102,121	
		BLOOMFIELD SCHOOLS	137,462	

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

U.S. DEPARTMENT OF EDUCATION

Federal CFDA Number	Program Name	Subrecipient Name	Amount
		CAPITAN MUNICIPAL SCHOOLS	24,540
		CARLSBAD MUNICIPAL SCHOOLS	200,839
		CARRIZOZO MUNICIPAL SCHOOLS	8,268
		CENTRAL CONSOLIDATED SCHOOLS #22	356,996
		CESAR CHAVEZ COMMUNITY SCHOOL	9,084
		CHAMA VALLEY INDEPENDENT	14,568
		CIEN AGUAS INTERNATIONAL SCHOOL	3,736
		CIMARRON MUNICIPAL SCHOOLS	826
		CLAYTON MUNICIPAL SCHOOLS	20,302
		CLOUDCROFT MUNICIPAL SCHOOLS	9,799
		CLOVIS MUNICIPAL SCHOOLS	313,925
		COBRE CONSOLIDATED SCHOOLS	55,191
		CORONA PUBLIC SCHOOLS	2,361
		COTTONWOOD CLASSICAL PREPARATORY SCHOOL	6,512
		CUBA INDEPENDENT SCHOOLS	69,468
		DEMING PUBLIC SCHOOLS	162,726
		DES MOINES MUNICIPAL SCHOOLS	1,963
		DEXTER CONSOLIDATED SCHOOLS	33,866
		DORA CONSOLIDATED SCHOOL	1,683
		DULCE INDEPENDENT SCHOOLS #21	28,902
		EAST MOUNTAIN HIGH SCHOOL	8,185
		ELIDA MUNICIPAL SCHOOLS	2,726
		ESPANOLA PUBLIC SCHOOL DISTRICT #55	21,827
		ESTANCIA BOARD OF EDUCATION	51,817
		ESTANCIA VALLEY CLASSICAL ACADEMY	9,275
		EUNICE PUBLIC SCHOOLS	10,278
		FARMINGTON MUNICIPAL SCHOOLS	489,944
		FLOYD MUNICIPAL SCHOOLS	1,500
		FORT SUMNER MUNICIPAL SCHOOLS	1,173
		GADSDEN INDEPENDENT SCHOOL DISTRICT	623,480
		GILBERT L SENA HIGH SCHOOL	6,906
		GRADY MUNICIPAL SCHOOLS	1,522
		GRANTS/CIBOLA COUNTY SCHOOL	172,105
		HAGERMAN MUNICIPAL SCHOOLS	17,442
		HATCH VALLEY MUNICIPAL SCHOOLS	98,154
		HOBBS MUNICIPAL SCHOOLS	3,778
		HONDO VALLEY SCHOOLS	5,646
		HORIZON ACADEMY WEST	4,621
		HOUSE MUNICIPAL SCHOOL	1,194
		INTERNATIONAL SCHOOL AT MESA DEL SOL,	6,698
		JAL PUBLIC SCHOOLS	5,543
		JEMEZ MTN SCHOOL DIST NO 53	3,325
		JEMEZ VALLEY PUBLIC SCHOOLS	24,179
		LA ACADEMIA DOLORES HUERTA	3,269
		LA PROMESA EARLY LEARNING CENTER	33,647
		LA RESOLANA LEADERSHIP ACADEMY	1,132
		LA TIERRA MONTESSORI SCHOOL OF THE ARTS	3,218
		LAS CRUCES SCHOOL DISTRICT #2	1,559,891
		LAS VEGAS CITY SCHOOLS	101,296
		LOGAN MUNICIPAL SCHOOL	14,159
		LORDSBURG MUNICIPAL SCHOOLS	56
		LOS ALAMOS PUBLIC SCHOOLS	49,485
		LOS LUNAS SCHOOLS	399,508

STATE OF NEW MEXICO
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NOTES TO SCHEDULE OF EXPENDITURES
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Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

U.S. DEPARTMENT OF EDUCATION

Federal CFDA Number	Program Name	Subrecipient Name	Amount	
		LOVING MUNICIPAL SCHOOLS	10,723	
		LOVINGTON MUNICIPAL SCHOOLS	28,477	
		MAGDALENA MUNICIPAL SCHOOLS	23,043	
		MASTERS PROGRAM, THE	5,075	
		MAXWELL MUNICIPAL SCHOOL	2,362	
		MEDIA ARTS COLLABORATIVE CHARTER SCHOOL	11,448	
		MELROSE MUNICIPAL SCHOOLS	10,818	
		MESA VISTA CONSOLIDATED SCHOOL	42,996	
		MISSION ACHIEVEMENT & SUCCESS CHARTER SC	13,980	
		MORA INDEPENDENT SCHOOLS	18,150	
		MORIARTY MUNICIPAL SCHOOLS	114,417	
		NEW AMERICA SCHOOL LAS CRUCES	1,700	
		NEW AMERICA SCHOOL, THE	3,029	
		NEW MEXICO CONNECTIONS ACADEMY	5,258	
		NEW MEXICO SCHOOL FOR THE ARTS	3,538	
		NM INTERNATIONAL SCHOOL, THE	2,863	
		NORTH VALLEY ACADEMY	11,845	
		PECOS INDEPENDENT SCHOOLS	39,397	
		PENASCO INDEPENDENT SCHOOL DISTRICT	11,703	
		POJOAQUE VALLEY SCHOOLS	35,481	
		PORTALES MUNICIPAL SCHOOLS	146,830	
		QUEMADO INDEPENDENT SCHOOL	3,428	
		QUESTA INDEPENDENT SCHOOLS	20,066	
		RATON PUBLIC SCHOOLS	141,549	
		RESERVE SCHOOL DISTRICT	13,019	
		RIO RANCHO PUBLIC SCHOOLS	169,082	
		ROSWELL INDEPENDENT SCHOOL DISTRICT	412,358	
		ROY MUNICIPAL SCHOOLS	945	
		RUIDOSO MUNICIPAL SCHOOLS	132,088	
		SAN JON MUNICIPAL SCHOOLS	10,820	
		SANTA FE PUBLIC SCHOOLS	623,237	
		SANTA ROSA CONSOLIDATED SCHOOL	19,427	
		SCHOOL OF DREAMS ACADEMY	675	
		SILVER CITY CONSOLIDATED SCHOOLS	75,028	
		SOCORRO CONSOLIDATED SCHOOLS	73,278	
		SOUTH VALLEY PREPORATORY SCHOOL	5,394	
		SPRINGER MUNICIPAL SCHOOLS	3,638	
		T OR C MUNICIPAL SCHOOLS	19,090	
		TAOS ACADEMY	(50)	
		TAOS INTERNATIONAL SCHOOL	1,900	
		TAOS MUNICIPAL SCHOOLS	93,488	
		TATUM MUNICIPAL SCHOOLS	13,099	
		TEXICO MUNICIPAL SCHOOL	17,182	
		TIERRA ADENTRO OF NEW MEXICO	6,435	
		TUCUMCARI PUBLIC SCHOOLS	76,917	
		TULAROSA MUNICIPAL SCHOOLS	100,689	
		UPLIFT COMMUNITY SCHOOL	10,056	
		WAGON MOUND PUBLIC SCHOOLS	5,228	
		WEST LAS VEGAS SCHOOL DISTRICT	83,241	
		ZUNI PUBLIC SCHOOL DIST	11,916	
		Total for CFDA 84.367A		10,861,387

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

U.S. DEPARTMENT OF EDUCATION

Federal CFDA Number	Program Name	Subrecipient Name	Amount
84.027A	Special Education - Grants to States		
		ACADEMY OF TRADES & TECHNOLOGY	31
		ACADEMY OF TRADES AND TECHNOLOGY	27,834
		ACE LEADERSHIP HIGH SCHOOL	55,451
		ALAMOGORDO PUBLIC SCHOOLS	1,379,123
		ALBUQUERQUE PUBLIC SCHOOLS	20,670,725
		ALBUQUERQUE SCHOOL OF EXCELLENCE	41,784
		ALBUQUERQUE SIGN LANGUAGE ACADEMY	30,195
		ALDO LEOPOLD CHARTER SCHOOL	30,133
		ALMAD'ARTE CHARTER HIGH SCHOOL	39,091
		AMY BIEHL CHARTER SCHOOL	130,924
		ANIMAS PUBLIC SCHOOLS	62,107
		ANTHONY CHARTER SCHOOL	14,174
		ARTESIA PUBLIC SCHOOLS	899,381
		ASK ACADEMY	40,678
		AZTEC MUNICIPAL SCHOOLS DISTRICT #2	983,038
		BELEN CONSOLIDATED SCHOOLS	1,058,274
		BERNALILLO PUBLIC SCHOOLS	652,938
		BLOOMFIELD SCHOOLS	747,521
		CAPITAN MUNICIPAL SCHOOLS	133,245
		CARLSBAD MUNICIPAL SCHOOLS	1,452,809
		CARRIZOZO MUNICIPAL SCHOOLS	32,057
		CENTRAL CONSOLIDATED SCHOOLS #22	1,913,396
		CENTRAL REGION EDUCATIONAL COOPERATIVE	238,341
		CESAR CHAVEZ COMMUNITY SCHOOL	42,248
		CHAMA VALLEY INDEPENDENT	106,587
		CIEN AGUAS INTERNATIONAL SCHOOL	45,060
		CIMARRON MUNICIPAL SCHOOLS	234,182
		CLAYTON MUNICIPAL SCHOOLS	133,641
		CLOUDCROFT MUNICIPAL SCHOOLS	138,468
		CLOVIS MUNICIPAL SCHOOLS	2,097,148
		COBRE CONSOLIDATED SCHOOLS	433,896
		CORAL COMMUNITY CHARTER	12,736
		CORONA PUBLIC SCHOOLS	25,681
		COTTONWOOD CLASSICAL PREPARATORY SCHOOL	75,947
		CREATIVE EDUCATION PREPARATORY	72,996
		CUBA INDEPENDENT SCHOOLS	169,042
		DEMING PUBLIC SCHOOLS	894,524
		DES MOINES MUNICIPAL SCHOOLS	33,785
		DEXTER CONSOLIDATED SCHOOLS	287,937
		DORA CONSOLIDATED SCHOOL	65,021
		DULCE INDEPENDENT SCHOOLS #21	166,310
		EAST MOUNTAIN HIGH SCHOOL	92,482
		ELIDA MUNICIPAL SCHOOLS	22,737
		ESPANOLA PUBLIC SCHOOL DISTRICT #55	991,748
		ESTANCIA BOARD OF EDUCATION	158,352
		ESTANCIA VALLEY CLASSICAL ACADEMY	52,206
		EUNICE PUBLIC SCHOOLS	227,245
		EXPLORE ACADEMY	31,803
		FARMINGTON MUNICIPAL SCHOOLS	3,051,574
		FLOYD MUNICIPAL SCHOOLS	48,745
		FORT SUMNER MUNICIPAL SCHOOLS	88,063
		GADSDEN INDEPENDENT SCHOOL DISTRICT	3,297,009

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

U.S. DEPARTMENT OF EDUCATION

Federal CFDA Number	Program Name	Subrecipient Name	Amount
		GALLUP MCKINLEY COUNTY SCHOOL	2,333,093
		GILBERT L SENA HIGH SCHOOL	40,567
		GRADY MUNICIPAL SCHOOLS	12,266
		GRANTS/CIBOLA COUNTY SCHOOL	786,667
		GREAT ACADEMY, THE	28,921
		HAGERMAN MUNICIPAL SCHOOLS	112,753
		HATCH VALLEY MUNICIPAL SCHOOLS	292,508
		HEALTH LEADERSHIP HIGH SCHOOL	35,036
		HEALTH SCIENCES ACADEMY	17,059
		HOBBS MUNICIPAL SCHOOLS	1,787,007
		HONDO VALLEY SCHOOLS	30,849
		HORIZON ACADEMY WEST	68,987
		HOUSE MUNICIPAL SCHOOL	21,751
		INTERNATIONAL SCHOOL AT MESA DEL SOL,	48,210
		J PAUL TAYLOR ACADEMY	39,839
		JAL PUBLIC SCHOOLS	152,133
		JEMEZ MTN SCHOOL DIST NO 53	65,471
		JEMEZ VALLEY PUBLIC SCHOOLS	101,613
		LA ACADEMIA DOLORES HUERTA	27,253
		LA JICARITA COMMUNITY SCHOOL	290
		LA PROMESA EARLY LEARNING CENTER	56,797
		LA RESOLANA LEADERSHIP ACADEMY	18,454
		LA TIERRA MONTESSORI SCHOOL OF THE ARTS	20,792
		LAKE ARTHUR MUNICIPAL SCHOOLS	30,625
		LAS CRUCES PUBLIC SCHOOLS	903,062
		LAS CRUCES SCHOOL DISTRICT #2	5,337,720
		LAS VEGAS CITY SCHOOLS	562,702
		LOGAN MUNICIPAL SCHOOL	84,145
		LORDSBURG MUNICIPAL SCHOOLS	155,187
		LOS ALAMOS PUBLIC SCHOOLS	918,356
		LOS LUNAS SCHOOLS	2,014,534
		LOVING MUNICIPAL SCHOOLS	134,713
		LOVINGTON MUNICIPAL SCHOOLS	727,583
		MAGDALENA MUNICIPAL SCHOOLS	97,459
		MASTERS PROGRAM, THE	13,419
		MAXWELL MUNICIPAL SCHOOL	74,188
		MCCURDY CHARTER SCHOOL	95,023
		MEDIA ARTS COLLABORATIVE CHARTER SCHOOL	35,261
		MELROSE MUNICIPAL SCHOOLS	62,454
		MESA VISTA CONSOLIDATED SCHOOL	104,949
		MISSION ACHIEVEMENT & SUCCESS CHARTER SC	42,731
		MONTESSORI ELEMENTARY SCHOOL	52,885
		MORA INDEPENDENT SCHOOLS	95,463
		MORIARTY MUNICIPAL SCHOOLS	871,307
		MOSQUERO MUNICIPAL SCHOOLS	16,407
		MOUNTAINAIR PUBLIC SCHOOLS	79,143
		NEW AMERICA SCHOOL LAS CRUCES	39,346
		NEW AMERICA SCHOOL, THE	43,676
		NEW MEXICO CONNECTIONS ACADEMY	100,640
		NEW MEXICO SCHOOL FOR THE ARTS	39,103
		NEW MEXICO SCHOOL FOR THE DEAF	73,546
		NM INTERNATIONAL SCHOOL, THE	24,307
		NM SCHL FOR THE BLIND &VISUALLY IMPAIRED	25,437

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

U.S. DEPARTMENT OF EDUCATION

Federal CFDA Number	Program Name	Subrecipient Name	Amount	
		NORTH VALLEY ACADEMY	76,566	
		PECOS INDEPENDENT SCHOOLS	199,407	
		PENASCO INDEPENDENT SCHOOL DISTRICT	106,119	
		POJOAQUE VALLEY SCHOOLS	454,313	
		PORTALES MUNICIPAL SCHOOLS	528,974	
		QUEMADO INDEPENDENT SCHOOL	43,812	
		QUESTA INDEPENDENT SCHOOLS	118,972	
		RATON PUBLIC SCHOOLS	307,489	
		RED RIVER VALLEY CHARTER SCHOO	45,968	
		RESERVE SCHOOL DISTRICT	52,947	
		RIO RANCHO PUBLIC SCHOOLS	3,308,008	
		ROSWELL INDEPENDENT SCHOOL DISTRICT	2,470,430	
		ROY MUNICIPAL SCHOOLS	26,392	
		RUIDOSO MUNICIPAL SCHOOLS	512,736	
		SAGE MONTESSORI CHARTER SCHOOL	35,238	
		SAN JON MUNICIPAL SCHOOLS	34,599	
		SANTA FE PUBLIC SCHOOLS	3,070,463	
		SANTA ROSA CONSOLIDATED SCHOOL	165,497	
		SCHOOL OF DREAMS ACADEMY	38,640	
		SILVER CITY CONSOLIDATED SCHOOLS	817,245	
		SOCORRO CONSOLIDATED SCHOOLS	610,417	
		SOUTH VALLEY PREPORATORY SCHOOL	28,991	
		SOUTHWEST AERONAUTICS MATHEMATICS &	16,017	
		SOUTHWEST INTERMEDIATE LEARNING CENTER	7,637	
		SOUTHWEST PRIMARY LEARNING CTN	11,394	
		SOUTHWEST SECONDARY LEARNING	29,113	
		SPRINGER MUNICIPAL SCHOOLS	52,989	
		T OR C MUNICIPAL SCHOOLS	340,294	
		TAOS ACADEMY	36,279	
		TAOS INTEGRATED SCHOOL OF THE ARTS	26,262	
		TAOS INTERNATIONAL SCHOOL	12,910	
		TAOS MUNICIPAL SCHOOLS	922,766	
		TATUM MUNICIPAL SCHOOLS	112,233	
		TEXICO MUNICIPAL SCHOOL	128,156	
		TIERRA ADENTRO OF NEW MEXICO	46,934	
		TUCUMCARI PUBLIC SCHOOLS	299,455	
		TULAROSA MUNICIPAL SCHOOLS	262,448	
		UPLIFT COMMUNITY SCHOOL	13,358	
		VAUGHN MUNICIPAL SCHOOLS	62,382	
		WAGON MOUND PUBLIC SCHOOLS	46,333	
		WALATOWA CHARTER HIGH SCHOOL	3,223	
		WEST LAS VEGAS SCHOOL DISTRICT	375,982	
		WILLIAM W & JOSEPH CHARTER COMMUNITY SCH	7,307	
		ZUNI PUBLIC SCHOOL DIST	394,435	
		Total for CFDA 84.027A		78,945,240
84.048A	Carl Perkins - Voc. Educ. - Basic Grants to States/Adult Educ. - State Grant Program			
		ALAMOGORDO PUBLIC SCHOOLS	66,519	
		ALBUQUERQUE PUBLIC SCHOOLS	1,176,929	
		AZTEC MUNICIPAL SCHOOLS DISTRICT #2	18,106	
		BELEN CONSOLIDATED SCHOOLS	57,201	
		BERNALILLO PUBLIC SCHOOLS	88,157	
		BLOOMFIELD SCHOOLS	34,083	

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
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Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

U.S. DEPARTMENT OF EDUCATION

Federal CFDA Number	Program Name	Subrecipient Name	Amount	
		CARLSBAD MUNICIPAL SCHOOLS	75,302	
		CENTRAL CONSOLIDATED SCHOOLS #22	50,239	
		CENTRAL NEW MEXICO COMMUNITY COLLEGE	997,604	
		CLOVIS COMMUNITY COLLEGE	122,200	
		CLOVIS MUNICIPAL SCHOOLS	92,527	
		DEMING PUBLIC SCHOOLS	59,456	
		DEXTER CONSOLIDATED SCHOOLS	2,910	
		EASTERN NEW MEXICO UNIVERSITY-ROSWELL	140,824	
		ESPANOLA PUBLIC SCHOOL DISTRICT #55	58,678	
		FARMINGTON MUNICIPAL SCHOOLS	122,372	
		GADSDEN INDEPENDENT SCHOOL DISTRICT	295,862	
		GALLUP MCKINLEY COUNTY SCHOOL	124,073	
		GRANTS/CIBOLA COUNTY SCHOOL	30,726	
		HOBBS MUNICIPAL SCHOOLS	1,721	
		LAS CRUCES PUBLIC SCHOOLS	2,688	
		LAS CRUCES SCHOOL DISTRICT #2	307,210	
		LOS LUNAS SCHOOLS	83,358	
		LOVING MUNICIPAL SCHOOLS	15,083	
		MORA INDEPENDENT SCHOOLS	43,505	
		NORTHEAST REGIONAL EDUCATION	47,466	
		NORTHERN NEW MEXICO COLLEGE	70,380	
		PORTALES MUNICIPAL SCHOOLS	32,842	
		REGENTS OF NEW MEXICO STATE UNIVERSITY	547,620	
		REGION IX EDUCATION COOP	77,880	
		RIO RANCHO PUBLIC SCHOOLS	139,392	
		ROSWELL INDEPENDENT SCHOOL DISTRICT	127,972	
		SAN JUAN COLLEGE	316,467	
		SANTA FE COMMUNITY COLLEGE	252,710	
		SANTA FE PUBLIC SCHOOLS	92,590	
		SOCORRO CONSOLIDATED SCHOOLS	16,312	
		T OR C MUNICIPAL SCHOOLS	5,969	
		TAOS MUNICIPAL SCHOOLS	18,936	
		THE UNIVERSITY OF NEW MEXICO	267,988	
		WESTERN NEW MEXICO UNIVERSITY	105,124	
		ZUNI PUBLIC SCHOOL DIST	22,561	
		Total for CFDA 84.048A		6,209,542
84.196A	Education for Homeless Children and Youth			
		ALAMOGORDO PUBLIC SCHOOLS	9,800	
		ALBUQUERQUE PUBLIC SCHOOLS	67,894	
		BELEN CONSOLIDATED SCHOOLS	24,882	
		DEMING PUBLIC SCHOOLS	33,818	
		FARMINGTON MUNICIPAL SCHOOLS	14,007	
		FORT SUMNER MUNICIPAL SCHOOLS	541	
		GADSDEN INDEPENDENT SCHOOL DISTRICT	20,036	
		GALLUP MCKINLEY COUNTY SCHOOL	16,992	
		LAS CRUCES SCHOOL DISTRICT #2	27,272	
		LORDSBURG MUNICIPAL SCHOOLS	3,165	
		LOS LUNAS SCHOOLS	27,820	
		MORIARTY MUNICIPAL SCHOOLS	10,020	
		RIO RANCHO PUBLIC SCHOOLS	18,354	
		SANTA FE PUBLIC SCHOOLS	54,926	
		SILVER CITY CONSOLIDATED SCHOOLS	1,826	

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
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Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

U.S. DEPARTMENT OF EDUCATION

Federal CFDA Number	Program Name	Subrecipient Name	Amount	
		SOCORRO CONSOLIDATED SCHOOLS	5,207	
		T OR C MUNICIPAL SCHOOLS	6,402	
		WEST LAS VEGAS SCHOOL DISTRICT	209	
		Total for CFDA 84.196A		343,171
84.137A	Special Education - Preschool			
		ALAMOGORDO PUBLIC SCHOOLS	77,970	
		ALBUQUERQUE PUBLIC SCHOOLS	355,837	
		ANIMAS PUBLIC SCHOOLS	5,590	
		ARTESIA PUBLIC SCHOOLS	54,103	
		AZTEC MUNICIPAL SCHOOLS DISTRICT #2	18,821	
		BELEN CONSOLIDATED SCHOOLS	8,553	
		BERNALILLO PUBLIC SCHOOLS	33,296	
		BLOOMFIELD SCHOOLS	69,143	
		CAPITAN MUNICIPAL SCHOOLS	3,264	
		CARLSBAD MUNICIPAL SCHOOLS	42,454	
		CARRIZOZO MUNICIPAL SCHOOLS	2,331	
		CENTRAL CONSOLIDATED SCHOOLS #22	30,108	
		CHAMA VALLEY INDEPENDENT	1,086	
		CIMARRON MUNICIPAL SCHOOLS	13,087	
		CLAYTON MUNICIPAL SCHOOLS	13,480	
		CLOUDCROFT MUNICIPAL SCHOOLS	498	
		CLOVIS MUNICIPAL SCHOOLS	67,875	
		COBRE CONSOLIDATED SCHOOLS	10,339	
		CORONA PUBLIC SCHOOLS	199	
		CUBA INDEPENDENT SCHOOLS	8,751	
		DEMING PUBLIC SCHOOLS	17,599	
		DES MOINES MUNICIPAL SCHOOLS	933	
		DEXTER CONSOLIDATED SCHOOLS	11,510	
		DORA CONSOLIDATED SCHOOL	7,940	
		DULCE INDEPENDENT SCHOOLS #21	5,457	
		ELIDA MUNICIPAL SCHOOLS	807	
		ESPANOLA PUBLIC SCHOOL DISTRICT #55	12,114	
		ESTANCIA BOARD OF EDUCATION	12,064	
		EUNICE PUBLIC SCHOOLS	2,157	
		FARMINGTON MUNICIPAL SCHOOLS	38,784	
		FLOYD MUNICIPAL SCHOOLS	13,071	
		FORT SUMNER MUNICIPAL SCHOOLS	5,686	
		GADSDEN INDEPENDENT SCHOOL DISTRICT	75,130	
		GALLUP MCKINLEY COUNTY SCHOOL	146,874	
		GRADY MUNICIPAL SCHOOLS	1,391	
		GRANTS/CIBOLA COUNTY SCHOOL	37,571	
		HAGERMAN MUNICIPAL SCHOOLS	5,755	
		HATCH VALLEY MUNICIPAL SCHOOLS	15,253	
		HOBBS MUNICIPAL SCHOOLS	72,201	
		HOUSE MUNICIPAL SCHOOL	4,572	
		JAL PUBLIC SCHOOLS	8,523	
		JEMEZ MTN SCHOOL DIST NO 53	3,343	
		JEMEZ VALLEY PUBLIC SCHOOLS	5,774	
		LAKE ARTHUR MUNICIPAL SCHOOLS	2,798	
		LAS CRUCES SCHOOL DISTRICT #2	115,108	
		LAS VEGAS CITY SCHOOLS	7,927	
		LOGAN MUNICIPAL SCHOOL	5,021	

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
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Note 5 - Subrecipients of Grant Awards

U.S. DEPARTMENT OF EDUCATION

Federal CFDA Number	Program Name	Subrecipient Name	Amount	
		LORDSBURG MUNICIPAL SCHOOLS	19,998	
		LOS ALAMOS PUBLIC SCHOOLS	21,506	
		LOS LUNAS SCHOOLS	42,440	
		LOVING MUNICIPAL SCHOOLS	6,577	
		LOVINGTON MUNICIPAL SCHOOLS	22,286	
		MAGDALENA MUNICIPAL SCHOOLS	9,432	
		MAXWELL MUNICIPAL SCHOOL	2,266	
		MELROSE MUNICIPAL SCHOOLS	3,945	
		MESA VISTA CONSOLIDATED SCHOOL	3,004	
		MORA INDEPENDENT SCHOOLS	2,305	
		MORIARTY MUNICIPAL SCHOOLS	51,210	
		MOSQUERO MUNICIPAL SCHOOLS	1,871	
		MOUNTAINAIR PUBLIC SCHOOLS	2,563	
		PECOS INDEPENDENT SCHOOLS	6,264	
		PENASCO INDEPENDENT SCHOOL DISTRICT	8,193	
		POJOAQUE VALLEY SCHOOLS	2,302	
		PORTALES MUNICIPAL SCHOOLS	9,890	
		QUEMADO INDEPENDENT SCHOOL	1,002	
		QUESTA INDEPENDENT SCHOOLS	429	
		RATON PUBLIC SCHOOLS	26,158	
		RESERVE SCHOOL DISTRICT	6,402	
		RIO RANCHO PUBLIC SCHOOLS	43,149	
		ROSWELL INDEPENDENT SCHOOL DISTRICT	82,119	
		RUIDOSO MUNICIPAL SCHOOLS	26,577	
		SAN JON MUNICIPAL SCHOOLS	3,000	
		SANTA FE PUBLIC SCHOOLS	43,722	
		SANTA ROSA CONSOLIDATED SCHOOL	4,491	
		SILVER CITY CONSOLIDATED SCHOOLS	25,233	
		SOCORRO CONSOLIDATED SCHOOLS	10,732	
		SPRINGER MUNICIPAL SCHOOLS	2,483	
		T OR C MUNICIPAL SCHOOLS	13,913	
		TAOS MUNICIPAL SCHOOLS	16,882	
		TATUM MUNICIPAL SCHOOLS	18,071	
		TEXICO MUNICIPAL SCHOOL	7,851	
		TUCUMCARI PUBLIC SCHOOLS	21,561	
		TULAROSA MUNICIPAL SCHOOLS	9,325	
		VAUGHN MUNICIPAL SCHOOLS	2,859	
		WAGON MOUND PUBLIC SCHOOLS	2,536	
		WEST LAS VEGAS SCHOOL DISTRICT	11,326	
		ZUNI PUBLIC SCHOOL DIST	3,320	
		Total for CFDA 84.137A		2,051,341
TOTAL U.S. DEPARTMENT OF EDUCATION				$ 207,373,604

DEPARTMENT OF AGRICULTURE

10.555	National School Lunch Program			
		21ST CENTURY PUBLIC ACADEMY	$ 9,298	
		ACADEMY OF TRADES AND TECHNOLOGY	31,588	
		ACE LEADERSHIP HIGH SCHOOL	62,791	
		ALAMO NAVAJO SCHOOL BOARD INC	264,583	
		ALAMOGORDO PUBLIC SCHOOLS	1,813,956	
		ALBUQUERQUE ACADEMY	46,532	
		ALBUQUERQUE PUBLIC SCHOOLS	29,696,531	
		ALBUQUERQUE SCHOOL OF EXCELLENCE	40,865	
		ALBUQUERQUE SIGN LANGUAGE ACADEMY	31,438	
		ALBUQUERQUE TALENT DEVELOPMENT SECONDAI	61,916	
		ALICE KING COMMUNITY SCHOOL	35,894	
		ALMAD'ARTE CHARTER HIGH SCHOOL	44,359	
		AMIKIDS INC	31,599	
		AMY BIEHL CHARTER SCHOOL	32,197	

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

DEPARTMENT OF AGRICULTURE

Federal CFDA Number	Program Name	Subrecipient Name	Amount
		ANIMAS PUBLIC SCHOOLS	59,596
		ANTHONY CHARTER SCHOOL	26,293
		ARTESIA PUBLIC SCHOOLS	1,041,358
		AZTEC MUNICIPAL SCHOOLS DISTRICT #2	933,534
		BELEN CONSOLIDATED SCHOOLS	2,181,900
		BERNALILLO PUBLIC SCHOOLS	1,760,037
		BERNALILLO, COUNTY OF	86,408
		BLOOMFIELD SCHOOLS	1,129,943
		BORREGO PASS SCHOOL	94,503
		CALVARY CHRISTIAN ACADEMY	2,981
		CAPITAN MUNICIPAL SCHOOLS	178,588
		CARLSBAD MUNICIPAL SCHOOLS	2,482,615
		CARRIZOZO MUNICIPAL SCHOOLS	82,676
		CENTRAL CONSOLIDATED SCHOOLS #22	3,450,569
		CESAR CHAVEZ COMMUNITY SCHOOL	49,554
		CHAMA VALLEY INDEPENDENT	213,024
		CHAVES COUNTY	20,832
		CHILDHAVEN INC	27,893
		CH'OOSHGAI COMMUNITY	224,793
		CHRIST LUTHERAN CHURCH	2,322
		CHRISTINE DUNCAN HERITAGE ACADEMY	145,862
		CIEN AGUAS INTERNATIONAL SCHOOL	47,694
		CIMARRON MUNICIPAL SCHOOLS	203,578
		CLAYTON MUNICIPAL SCHOOLS	166,425
		CLOUDCROFT MUNICIPAL SCHOOLS	68,339
		CLOVIS MUNICIPAL SCHOOLS	3,560,250
		COBRE CONSOLIDATED SCHOOLS	854,159
		CORAL COMMUNITY CHARTER	20,220
		CORONA PUBLIC SCHOOLS	34,379
		CORRALES INTERNATIONAL SCHOOOL	16,806
		CRYSTAL BOARDING	93,899
		CUBA INDEPENDENT SCHOOLS	327,709
		CURRY COUNTY	9,870
		DEMING PUBLIC SCHOOLS	4,087,666
		DES MOINES MUNICIPAL SCHOOLS	25,730
		DEXTER CONSOLIDATED SCHOOLS	580,013
		DOI BUREAU OF INDIAN EDUCATION	2,854,123
		DONA ANA COUNTY	36,872
		DORA CONSOLIDATED SCHOOL	57,246
		DULCE INDEPENDENT SCHOOLS #21	358,152
		DZILTH-NA-O-DITH-HLE COMMUNITY	99,837
		EL CAMINO REAL ACADEMY	242,436
		ELIDA MUNICIPAL SCHOOLS	46,465
		ESPANOLA PUBLIC SCHOOL DISTRICT #55	1,654,081
		ESTANCIA BOARD OF EDUCATION	282,587
		EUNICE PUBLIC SCHOOLS	256,856
		EXPLORE ACADEMY	16,005
		FARMINGTON MUNICIPAL SCHOOLS	2,999,930
		FLOYD MUNICIPAL SCHOOLS	90,985
		FORT SUMNER MUNICIPAL SCHOOLS	107,923
		GADSDEN INDEPENDENT SCHOOL DISTRICT	8,507,261
		GALLUP CATHOLIC	10,324
		GALLUP MCKINLEY COUNTY SCHOOL	5,765,485

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

DEPARTMENT OF AGRICULTURE

Federal CFDA Number	Program Name	Subrecipient Name	Amount
		GILBERT L SENA HIGH SCHOOL	11,217
		GRADY MUNICIPAL SCHOOLS	44,722
		GRANTS/CIBOLA COUNTY SCHOOL	2,053,130
		GUADALUPE MONTESSORI SCHOOL INC	19,075
		HAGERMAN MUNICIPAL SCHOOLS	307,605
		HATCH VALLEY MUNICIPAL SCHOOLS	807,180
		HEALTH LEADERSHIP HIGH SCHOOL	34,231
		HEALTH SCIENCES ACADEMY	81,300
		HOBBS MUNICIPAL SCHOOLS	2,644,052
		HOLY CROSS SCHOOL SC	15,718
		HONDO VALLEY SCHOOLS	52,593
		HORIZON ACADEMY WEST	228,585
		HOUSE MUNICIPAL SCHOOL	14,562
		IMMANUEL LUTHERAN CHURCH/SCHOOL	12,366
		INTERNATIONAL SCHOOL AT MESA DEL SOL,	47,387
		J PAUL TAYLOR ACADEMY	35,315
		JAL PUBLIC SCHOOLS	123,202
		JEFFERSON MONTESSORI ACADEMY	34,781
		JEMEZ MTN SCHOOL DIST NO 53	138,414
		JEMEZ VALLEY PUBLIC SCHOOLS	190,560
		LA ACADEMIA DE ESPERANZA	216,560
		LA ACADEMIA DOLORES HUERTA	89,467
		LA PROMESA EARLY LEARNING CENTER	325,813
		LA RESOLANA LEADERSHIP ACADEMY	50,740
		LAKE ARTHUR MUNICIPAL SCHOOLS	79,665
		LAS CRUCES CATHOLIC SCHOOL INC	10,007
		LAS CRUCES SCHOOL DISTRICT #2	9,248,613
		LAS MONTANAS CHARTER HIGH SCHOOL	57,542
		LAS VEGAS CITY SCHOOLS	651,111
		LINDRITH AREA HERITAGE SCHOOL	10,784
		LOGAN MUNICIPAL SCHOOL	88,282
		LORDSBURG MUNICIPAL SCHOOLS	258,274
		LOS ALAMOS PUBLIC SCHOOLS	65,211
		LOS LUNAS SCHOOLS	3,446,689
		LOS PUENTES CHARTER SCHOOL	80,900
		LOVING MUNICIPAL SCHOOLS	369,140
		LOVINGTON MUNICIPAL SCHOOLS	1,106,822
		MAGDALENA MUNICIPAL SCHOOLS	204,024
		MAXWELL MUNICIPAL SCHOOL	38,911
		MCCURDY CHARTER SCHOOL	157,242
		MEDIA ARTS COLLABORATIVE CHARTER SCHOOL	44,890
		MELROSE MUNICIPAL SCHOOLS	58,261
		MESA VISTA CONSOLIDATED SCHOOL	184,562
		MESCALERO APACHE SCHOOL	218,488
		MISSION ACHIEVEMENT & SUCCESS CHARTER SC	267,494
		MONTE DEL SOL CHARTER SCHOOL	64,414
		MORA INDEPENDENT SCHOOLS	315,893
		MORIARTY MUNICIPAL SCHOOLS	853,815
		MOSQUERO MUNICIPAL SCHOOLS	9,323
		MOUNTAIN MAHOGANY COMMUNITY SCHOOL	23,609
		MOUNTAINAIR PUBLIC SCHOOLS	143,223
		NA NEELZHIIN JI OLTA INC	89,340
		NATIVE AMERICAN COMMUNITY ACADEMY	165,689

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

DEPARTMENT OF AGRICULTURE

Federal CFDA Number	Program Name	Subrecipient Name	Amount
		NAVAJO PREPARATORY SCHOOL INC	131,704
		NEW AMERICA SCHOOL LAS CRUCES	35,540
		NEW AMERICA SCHOOL, THE	81,523
		NEW MEXICO SCHOOL FOR THE ARTS	11,448
		NEW MEXICO SCHOOL FOR THE DEAF	44,366
		NM DEPARTMENT OF MILITARY AFFAIRS	87,382
		NM SCHL FOR THE BLIND &VISUALLY IMPAIRED	13,645
		NM SCHOOL FOR ARCHITECTURE CONSTRUCTION	21,885
		NORTH VALLEY ACADEMY	135,884
		NUESTROS VALORE CHARTER SCHOOL	31,207
		OHKAY OWINGEH COMMUNITY SCHOOL	65,532
		OUR LADY OF ASSUMPTION	9,049
		PECOS INDEPENDENT SCHOOLS	325,223
		PENASCO INDEPENDENT SCHOOL DISTRICT	229,898
		POJOAQUE VALLEY SCHOOLS	762,521
		PORTALES MUNICIPAL SCHOOLS	1,136,130
		PUBLIC ACADEMY PERFORMING ARTS	47,469
		PUEBLO OF LAGUNA DEPARTMENT OF EDUCATION	186,901
		QUAY COUNTY	2,808
		QUEEN OF HEAVEN SCHOOL	2,944
		QUEMADO INDEPENDENT SCHOOL	60,219
		QUESTA INDEPENDENT SCHOOLS	207,363
		RAMAH NAVAJO SCHOOL BOARD INC	94,669
		RATON PUBLIC SCHOOLS	468,064
		RED RIVER VALLEY CHARTER SCHOO	26,341
		REHOBOTH CHRISTIAN SCHOOL	159,437
		RESERVE SCHOOL DISTRICT	49,755
		RIO GALLINAS CHARTER	44,185
		RIO RANCHO PUBLIC SCHOOLS	3,351,433
		ROBERT F KENNEDY CHARTER	100,644
		ROSWELL INDEPENDENT SCHOOL DISTRICT	5,867,597
		ROY MUNICIPAL SCHOOLS	18,778
		RUIDOSO MUNICIPAL SCHOOLS	848,871
		SAN DIEGO RIVERSIDE SCHOOL	70,046
		SAN FELIPE DE NERI SCHOOL	19,790
		SAN JON MUNICIPAL SCHOOLS	44,492
		SAN JUAN, COUNTY OF	70,492
		SANTA FE INDIAN SCHOOL INC	327,861
		SANTA FE PUBLIC SCHOOLS	5,062,242
		SANTA FE, COUNTY OF	31,853
		SANTA ROSA CONSOLIDATED SCHOOL	375,134
		SANTO NINO REGIONAL CATHOLIC SCHOOL	36,855
		SEQUOYAH ADOLESCENT CENTER	48,641
		SHIPROCK ALTERNATIVE SCHOOLS INC	234,259
		SILVER CITY CONSOLIDATED SCHOOLS	1,122,198
		SOCORRO CONSOLIDATED SCHOOLS	905,785
		SOUTH VALLEY ACADEMY	199,384
		SOUTH VALLEY PREPORATORY SCHOOL	55,547
		SPRINGER MUNICIPAL SCHOOLS	80,034
		ST ANTHONY INDIAN SCHOOL INC	78,475
		ST BONAVENTURE INDIAN MISSION AND SCHOOL	127,978
		ST CHARLES BORROMEO SCHOOL	17,695
		ST FRANCIS OF ASSISI SCHOOL	51,353

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

DEPARTMENT OF AGRICULTURE

Federal CFDA Number	Program Name	Subrecipient Name	Amount	
		ST FRANCIS SCHOOL	37,067	
		ST MARY SCHOOL	48,104	
		ST MARY SCHOOL LUNCH PROGRAM	18,868	
		ST THERESE CATHOLIC SCHOOL	20,650	
		ST. TERESA OF AVILA SCHOOL, INC.	22,790	
		ST. THOMAS AQUINAS SCHOOL	30,604	
		T OR C MUNICIPAL SCHOOLS	706,812	
		TAOS MUNICIPAL SCHOOLS	1,371,384	
		TATUM MUNICIPAL SCHOOLS	76,509	
		TEXICO MUNICIPAL SCHOOL	118,752	
		TIERRA ADENTRO OF NEW MEXICO	61,989	
		TOHAJILEE COMMUNITY SCHOOL BOARD OF	247,849	
		TUCUMCARI PUBLIC SCHOOLS	595,008	
		TULAROSA MUNICIPAL SCHOOLS	442,963	
		UNIVERSITY OF NEW MEXICO HOSPITAL	43,062	
		UPLIFT COMMUNITY SCHOOL	37,577	
		VAUGHN MUNICIPAL SCHOOLS	53,286	
		WAGON MOUND PUBLIC SCHOOLS	38,718	
		WALATOWA CHARTER HIGH SCHOOL	35,435	
		WEST LAS VEGAS SCHOOL DISTRICT	1,103,085	
		WILLIAM W & JOSEPH CHARTER COMMUNITY SCH	34,333	
		YOUTH DEVELOPMENT INC	10,129	
		ZUNI PUBLIC SCHOOL DIST	919,405	
		CYFD	417,902	
		MILITARY AFFAIRS	55,500	
		Total for CFDA 10.555		135,941,236
10.579	National School Lunch Program			
		ALAMO NAVAJO SCHOOL BOARD INC	12,869	
		ANIMAS PUBLIC SCHOOLS	12,500	
		BELEN CONSOLIDATED SCHOOLS	13,573	
		CHAMA VALLEY INDEPENDENT	7,500	
		CLAYTON MUNICIPAL SCHOOLS	12,000	
		CUBA INDEPENDENT SCHOOLS	11,982	
		DEXTER CONSOLIDATED SCHOOLS	12,500	
		ESPANOLA PUBLIC SCHOOL DISTRICT #55	11,000	
		ESTANCIA BOARD OF EDUCATION	12,500	
		LAS VEGAS CITY SCHOOLS	5,295	
		LINDRITH AREA HERITAGE SCHOOL	6,497	
		LOS LUNAS SCHOOLS	15,414	
		NUESTROS VALORE CHARTER SCHOOL	5,488	
		OHKAY OWINGEH COMMUNITY SCHOOL	10,913	
		QUESTA INDEPENDENT SCHOOLS	6,034	
		SANTA ROSA CONSOLIDATED SCHOOL	11,400	
		SILVER CITY CONSOLIDATED SCHOOLS	10,415	
		TUCUMCARI PUBLIC SCHOOLS	12,000	
		WAGON MOUND PUBLIC SCHOOLS	9,308	
		Total for CFDA 10.579		199,188
10.582	Fresh Fruits and Vegetables			
		ALAMOGORDO PUBLIC SCHOOLS	56,808	
		BELEN CONSOLIDATED SCHOOLS	108,396	
		BERNALILLO PUBLIC SCHOOLS	63,063	

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
Year Ended June 30, 2015

Note 5 - Subrecipients of Grant Awards

DEPARTMENT OF AGRICULTURE

Federal CFDA Number	Program Name	Subrecipient Name	Amount	
		BLOOMFIELD SCHOOLS	78,152	
		CHRISTINE DUNCAN HERITAGE ACADEMY	6,972	
		CIMARRON MUNICIPAL SCHOOLS	8,503	
		CLAYTON MUNICIPAL SCHOOLS	4,191	
		COBRE CONSOLIDATED SCHOOLS	33,695	
		DEMING PUBLIC SCHOOLS	119,502	
		DOI BUREAU OF INDIAN EDUCATION	1,819	
		DULCE INDEPENDENT SCHOOLS #21	14,944	
		EL CAMINO REAL ACADEMY	10,779	
		ESPANOLA PUBLIC SCHOOL DISTRICT #55	78,906	
		FARMINGTON MUNICIPAL SCHOOLS	51,691	
		GADSDEN INDEPENDENT SCHOOL DISTRICT	324,039	
		GALLUP MCKINLEY COUNTY SCHOOL	137,673	
		GRANTS/CIBOLA COUNTY SCHOOL	72,062	
		HONDO VALLEY SCHOOLS	1,519	
		LA PROMESA EARLY LEARNING CENTER	18,830	
		LAS CRUCES SCHOOL DISTRICT #2	306,100	
		LAS VEGAS CITY SCHOOLS	45,667	
		LOGAN MUNICIPAL SCHOOL	5,957	
		MAGDALENA MUNICIPAL SCHOOLS	6,976	
		MESA VISTA CONSOLIDATED SCHOOL	3,717	
		MORA INDEPENDENT SCHOOLS	10,400	
		MORIARTY MUNICIPAL SCHOOLS	29,985	
		MOUNTAINAIR PUBLIC SCHOOLS	6,008	
		PENASCO INDEPENDENT SCHOOL DISTRICT	6,945	
		QUEMADO INDEPENDENT SCHOOL	3,915	
		QUESTA INDEPENDENT SCHOOLS	6,415	
		RATON PUBLIC SCHOOLS	27,819	
		SILVER CITY CONSOLIDATED SCHOOLS	45,951	
		SPRINGER MUNICIPAL SCHOOLS	4,740	
		ST ANTHONY INDIAN SCHOOL INC	4,801	
		T OR C MUNICIPAL SCHOOLS	25,937	
		TAOS MUNICIPAL SCHOOLS	899	
		WAGON MOUND PUBLIC SCHOOLS	1,112	
		WEST LAS VEGAS SCHOOL DISTRICT	28,091	
		ZUNI PUBLIC SCHOOL DIST	29,568	
		Total for CFDA 10.582		1,792,547
TOTAL DEPARTMENT OF AGRICULTURE				$ 137,932,971
TOTAL SUBRECIPIENT FUNDS PASSED THROUGH				$ 345,306,575

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COMPLIANCE

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To Hanna Skandera, Secretary of Education
New Mexico Public Education Department
and Mr. Tim Keller
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each discretely presented component unit (New Mexico state chartered charter schools), each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general and major special revenue funds of the New Mexico Education Department ("Department"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and the Department's nonmajor governmental funds and fiduciary funds, and the budgetary comparison for the major capital projects fund and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements, and have issued our report thereon dated November 20, 2015. We disclaimed our opinion on six component unit's statements. See our opinion beginning on page 10 of volume I for further details.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies, described in the accompanying schedule of findings

and questioned costs, to be material weaknesses.

Entity	Material Weakness Reference
Public Education Department	2015-001
Division of Vocational Rehabilitation	2015-002
Academy of Trades and Technology	2012-002
ACE Leadership High School	2015-002
ASK Academy Foundation	2015-001
Creative Education Preparatory Institute	2009-024, 2011-001, 2011-003, 2013-002 2014-001, 2015-001
Dream Dine Charter School	2015-001
J. Paul Taylor	2015-003
SW Aeronautics, Mathematics, Science Academy	2014-001
SW Intermediate Learning Center	2014-001
SW Primary Learning Center	2014-001
SW Secondary Learning Center	2014-001

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies, described in the accompany schedule of findings and questioned costs, to be significant deficiencies.

Entity	Significant Deficiency Reference
Division of Vocational Rehabilitation	2014-003
Academy of Trades and Technology	2015-001
ACE Leadership High School	2015-003
Albuquerque School of Excellence	2015-001, 2015-003
Cottonwood Classical Preparatory School	2015-001
Creative Education Preparatory Institute	2014-003
East Mountain High School	2014-002
Estancia Valley Classical Academy	2015-002
Explore Academy	2015-001
Gilbert L Sena	2014-001, 2015-003
Health Science Academy	2015-001
J. Paul Taylor	2014-001
La Academia Dolores Huerta Charter School	2015-001, 2015-004
La Promesa Early Learning Center	2014-001, 2015-001
La Resolana Leadership Academy	2015-002
The Masters Program	2014-002
McCurdy Charter School	2014-006
Mission Achievement and Success	2014-001, 2015-001
New Mexico Connections Academy	2014-004
North Valley Academy	2015-001
Red River Valley Charter School	2015-002
Sage Montessori Charter School	2015-002
The Learning Community Charter School	2015-001
Tierra Adentro	2014-001, 2015-001
Uplift Community School	2014-001, 2015-002
Walatowa High Charter School	2015-003, 2015-005

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items:

Entity	Compliance and Other Matters Reference
Public Education Department	2013-003, 2013-005
Division of Vocational Rehabilitation	2014-004
Academy of Trades and Technology	2013-001
ACE Leadership High School	2015-001, 2015-004
Albuquerque Institute for Mathematics & Science	2015-001
Albuquerque School of Excellence	2015-002, 2015-004
Albuquerque Sign Language	2014-001, 2014-002
Alma D'Arte Charter High School	2014-001, 2015-001, 2015-002, 2015-003
Amy Biehl	2014-001, 2015-001
Anthony Charter School	2014-001, 2014-002, 2014-003, 2015-001 2015-002
The ASK Academy	2013-001, 2015-001
Cesar Chavez	2015-001
Cien Aguas International School	2014-001, 2014-002, 2014-003, 2015-001 2015-002
Coral Community Charter School	2014-001, 2014-002, 2015-001, 2015-002
Cottonwood Classical Preparatory School	2014-002, 2014-003, 2015-002, 2015-003 2015-004
Creative Education Preparatory Institute	2011-002, 2012-003, 2014-002, 2014-005
Dream Dine Charter School	2015-002
East Mountain High School	2014-003, 2015-001
Estancia Valley Classical Academy	2015-001
Explore Academy	2015-002, 2015-003
Gilbert L Sena	2015-001, 2015-002, 2015-004
The Great Academy	2015-001, 2015-002
Health Leadership High School	2015-001, 2015-002, 2015-003, 2015-004 2015-005,2015-006
Health Science Academy	2015-002, 2015-003, 2015-004
Horizon Academy West	2014-001, 2014-005, 2015-001, 2015-002 2015-003
The International School at Mesa Del Sol	2014-001
J. Paul Taylor	2015-001, 2015-002
La Academia Dolores Huerta Charter School	2015-002, 2015-003, 2015-005
La Jicarita Community School	2014-003, 2015-001
La Promesa Early Learning Center	2015-002
La Resolana Leadership Academy	2015-001

Entity	Compliance and Other Matters Reference
The Masters Program	2014-001, 2014-003, 2015-001
McCurdy Charter School	2014-003, 2014-007
Media Arts Collaborative Charter School	2014-001
Mission Achievement and Success	2014-002
New America School	2012-002, 2015-001, 2015-002, 2015-003
New America School Las Cruces	2014-001, 2014-002, 2015-001
New Mexico Connections Academy	2014-002, 2014-003, 2015-001
New Mexico International School	2014-005, 2015-001
New Mexico School of the Arts	2015-001, 2015-002, 2015-003
North Valley Academy	2014-002, 2015-002
Ralph J Bunch	2015-002
Red River Valley Charter School	2015-001, 2015-003, 2015-004
Sage Montessori Charter School	2014-002, 2015-001, 2015-003
School of Dreams	2014-001, 2015-001, 2015-002
SW Aeronautics, Mathematics, Science Academy	2014-002
SW Intermediate Learning Center	2014-002
SW Primary Learning Center	2014-002
SW Secondary Learning Center	2014-002
Taos Academy	2014-001, 2015-001, 2015-002
Taos Integrated School of the Arts	2015-001, 2015-002, 2015-003
Taos International School	2015-001, 2015-002, 2015-003, 2015-004
The Learning Community Charter School	2009-003, 2013-002, 2014-001
Tierra Adentro	2015-002, 2015-003, 2015-004, 2015-005
Uplift Community School	2013-002, 2014-003, 2014-004, 2015-001 2015-003
Walatowa High Charter School	2013-001, 2013-004, 2014-001, 2014-002 2015-001, 2015-002, 2015-004
William W and Josephine Dorn Charter School	2014-001, 2014-002, 2014-005, 2015-001

Department's Response to Findings

The Department's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Axiom

Albuquerque, New Mexico
November 20, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To Hanna Skandera, Secretary of Education
New Mexico Public Education Department
and Mr. Tim Keller
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the New Mexico Education Department's ("Department") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have direct and material effect on each of the Department's major federal programs for the year ended June 30, 2015. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Basis for Modified Opinion on the Rehabilitation Services CFDA 84.126 Program

As described in the accompanying schedule of findings and questioned costs, the Department did not comply with requirements regarding CFDA 84.126 Rehabilitation Services as described in finding number 2015-003 for Level of Effort. Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements applicable to that program.

Modified Opinion on the Rehabilitation Services CFDA 84.126 Program
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.126 Rehabilitation Services for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs
In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Report on Internal Control over Compliance
Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-003 to be a material weakness.

A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency's in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-007 and 2015-004 to be a significant deficiency's.

The Department's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Albuquerque, New Mexico
November 20, 2015

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STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified, disclaimer on multiple aggregate discretely presented component units

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None reported

Noncompliance material to financial statements Noted? ☒ Yes ☐ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None reported

Type of Auditor's Report issued on compliance for major programs: Modified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of Major Programs

CFDA Numbers	*Name of Federal Program or Cluster*
10.553/10.555	Child Nutrition Cluster
84.010A	Title I Grants to Local Educational Agencies
84.287	21st Century Community Learning Centers
84.412	Race to the Top – Early Learning Challenge
84.048	Carl D. Perkins
84.126A	Rehabilitation Services
96.001	Social Security – Disability Insurance

Dollar threshold used to distinguish between type A and type B programs: $3,000,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Section II – Findings – Financial Statement Audit

The State of New Mexico Public Education Department is made up of two distinct appropriated entities and 59 state authorized chartered schools: the Public Education Department and the Division of Vocational Rehabilitation, and the various State authorized charter schools.

PUBLIC EDUCATION DEPARTMENT FINDINGS

2013-003 Improve Other IT General Controls (Other Matter and Non Compliance)

Condition: During our review of IT security controls, we noted the following:

- HR department is not timely in providing termination forms to the IT Department, we noted two instances during the current FY15 audit where employees were terminated, however there access to SHARE was not locked out.
- PED does not have an offsite storage location for backup data.
- PED has been using an outdated/obsolete version of SQL Server to maintain their database.

During our testwork we noted the Department has implemented procedures to ensure passwords for all employees expire. Also, the Department is working with HR to ensure they are notified immediately of any terminated employees to ensure they can lock the accounts. Additionally, per discussion with the PED CIO, the Department is currently in the process of having an offsite back up tape, however due to lack of funding and training they were unable to implement this process in FY 15. Furthermore, we noted during our fieldwork that the Department has built the infrastructure for the upgraded SQL Server; however, the data has not yet been converted.

Criteria: Per State of NM Statewide Guideline "Enterprise IT Security Policy", S-GUIDE00.003, "the State of New Mexico shall securely and economically protect its business functions including public access to appropriate information and resources, while maintaining compliance with legal requirements established by existing Federal and State statutes pertaining to confidentiality, privacy, accessibility, availability, and integrity.

Effect: The deficiencies identified decrease the overall network security and are considered area that can be exploited by a potential hacker.

Cause: This has been a practice within the Department for the past several years.

Recommendation: We recommend the following:

- HR Department should provide termination forms in a timely manner to ensure that access for terminated employees is removed on a timely basis.
- Computer files should be backed up at least weekly, be properly labeled, and stored off premises in a fireproof vault to ensure safe storage of computer information.
- Upgrade to most recent version of SQL Server to maintain database.

PUBLIC EDUCATION DEPARTMENT FINDINGS (Continued)

2013-003 Improve Other IT General Controls (Other Matter and Non Compliance)(Continued)

Management's Response: Management agrees with this finding and has already begun work to ensure they are addressed.

- As noted in the auditor comments, the PED is already working with the human resources bureau and the IT division to ensure that during out processing the IT division is notified of the termination. The actual process is already in place since employees are required to turn-in their key cards, identification cards and other PED items. The process is being formalized so there is a sign-off line on the out processing sheet to indicate that IT was informed.
- With regard to not storing back-up data in an off-site location, management agrees with this portion of the finding. The PED is already working with the Department of Information Technology (DoIT) to take advantage of the Tivoli Data Storage Manager and store back-up data at DoIT. This should occur in the first quarter of 2015.
- As to PED using an outdated or obsolete version of SQL Server to maintain its data base, management agrees with this portion of the finding. The PED has already procured and installed the latest version of SQL Server on its new servers. The process is in the setup phase and is undergoing testing. This will be completed and all data transferred before December 31, 2015.

2015-001 Financial Close and Reporting – Reconciliation of Funds (Material Weakness)

Condition: During our testwork over the financial close and reporting process it was noted that the Department has not implemented an effective financial close and reporting process for the year ended June 30, 2015. We noted the following items:

- During our testwork over revenue and expenditures, we noted the following funds were misstated and required the adjustments as follows:
    - Fund 89200*, STB Capital Outlay,* expenditures were materially understated in the amount of $21,105,274.
    - Fund 63400, *Public School Capital Improvement,* revenues were understated in the amount of $101,379.

- During our testwork related to the Agency fund, fund 57300, we noted the Department failed to accrue a material inter-fund payable to the Special Projects fund 79000 in the amount of $2,000,000 for money expended related to emergency supplemental support appropriated from fund 57300 through the General Appropriations Act, Laws of 2014.

- During our testwork related to the emergency supplemental support appropriated from Agency fund 57300, we noted the Department over reverted $2,280,780 from the Special Projects fund 79000 to the State General Fund.

PUBLIC EDUCATION DEPARTMENT FINDINGS (Continued)

2015-001 Financial Close and Reporting – Reconciliation of Funds (Material Weakness) (Continued)

Criteria: The Manual of Accounting Practices requires that all state agencies "perform monthly reconciliations" and "Maintain accounts and information as necessary to show the sources of state revenues and the purpose for which expenditures are made and provide proper accounting control to protect state finances". Additionally, Section 6-5-2, NMSA 1978 states that "State agencies shall comply with the Model Accounting Practices established by the Financial Control Division of the Department of Finance and Administration and the administrative head of each agency shall ensure that the Model Accounting Practices are followed."

Effect: The deficiencies in internal controls at the Department can cause an increased risk of errors and inaccurate or incomplete financial reporting.

Cause: The Department posted the vouchers at the time the receivable was accrued. However, the Department of Finance and Administration (DFA) required the Department to remove the vouchers as DFA believed the Department did not have adequate budget. The Department then provided DFA documentation to show that they did in fact have adequate budget. DFA agreed, however, they did not allow the Department to accrue the expenditures in FY 15 and required them to be posted in FY 16.

Recommendation: We recommend that the Department continue to develop policies and procedures to outline the requirements, timeliness and responsibilities over the financial close and reporting process, including reconciling all balances and ensure all activity pertaining to the fiscal year is captured in the correct fiscal year for financial reporting purposes.

Management's Response: Management concurs with the technical nature of this finding but notes the cause is due to circumstances not within the control of the agency. As noted in the auditor's comment on cause, PEDs accounting actions were implement properly, that vouchers were posted at the time the receivable was accrued and demonstrated that adequate budget did exist for payment to take place. The decision not to pay the vouchers was made outside of PED requiring the expenditures to be posted in FY16.

With regard to the over-reversion of funds, management concurs with this part of the finding. The funds that were reverted were those funds reauthorized in Laws 2015, Chapter 101, Section 5 (60) that extended the appropriation for teacher and school leader programs and supports for training, preparation, recruitment and retention through FY16. These funds were inadvertently reverted and will be returned to PED when the FY15 audit is complete. The CFO with the Deputy Secretary, Finance and Operations will annually review and certify all reversions prior to posting to ensure the reversions are true and accurate and account for any legislative action.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

DIVISION OF VOCATIONAL REHABILITATION FINDINGS

2014-003 Improve IT General Controls (Significant Deficiency)

Condition: During our review of internal controls over IT, we noted the following:

- DVR does not have an offsite storage location for backup data.
- DVR does not have well-defined, written disaster recovery procedures.

The Division is working on implementing an offsite storage location and has hired a contractor to implement written disaster recovery procedures. However, these processes have not been completed in FY 2015.

Criteria: Per the State of New Mexico Statewide Guideline "Enterprise IT Security Policy", S-GUIDE-00.003, "the State of New Mexico shall securely and economically protect its business functions including public access to appropriate information and resources, while maintaining compliance with legal requirements established by existing Federal and State statutes pertaining to confidentiality privacy, accessibility, availability, and integrity".

Effect: The deficiencies identified decrease the overall network security and are considered areas that can be exploited by a potential hacker.

Cause: This has been a practice within the Division for the past several years.

Recommendation: We recommend the following:

- Computer files should be backed up at least weekly, be properly labeled, and stored off premises in a fireproof vault to ensure safe storage of computer information.
- Management should develop a disaster recovery plan that includes, but is not limited to, the following matters:
    - Location of, and access to, off-site storage.
    - A listing of all data files that would have to be obtained from the off-site storage location.
    - Identification of a backup location (name and telephone number) with similar or compatible equipment for emergency processing.
    - Responsibilities of various personnel.
    - Priority of critical applications and reporting requirements during the emergency period.

DIVISION OF VOCATIONAL REHABILITATION FINDINGS (Continued)

2014-003 Improve IT General Controls (Significant Deficiency)(Continued)

Management's Response: Management concurs with this finding. DVR has finalized quotes and submitted the proposed purchase to the Procurement Unit for processing. Currently, DVR conducts data backups nightly with a full area run Friday night into Saturday morning. This has been a standard practice that DVR has implemented for a number of years. It is anticipated that off-site data backup storage will be complete January 31, 2016.

Management concurs with the second part of the finding regarding written disaster recovery procedures. The IT staff has consulted with an IT security consultant and is currently developing a disaster recovery plan. It is anticipated to be completed and in place no later than January 31, 2016.

2014-004 Internal Controls Over Cash Disbursements (Other Matter)

Condition: During our testing of internal controls over the cash disbursement process, it was noted that the Division did not have policies and procedures in place until the end of FY 2015 to ensure that goods or services were received/performed prior to payment being made.

Criteria: 6-5-2C NMSA 1978 states that an entity shall implement internal controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, state agencies shall implement controls to prevent the submission of processing documents to the division that contain errors or that are for a purpose not authorized by law.

Effect: Lack of documentation related to disbursements raises the risk for improper use of public monies or increases risk for erroneously processed transactions.

Cause: Division did not ensure that the Division's policies and procedures were being followed.

Recommendation: We recommend that the Division evaluate its current procedures related to disbursements and ensure that disbursements are made subsequent to verification of the goods/services being received/performed.

Management's Response: Management concurs with this finding but notes that actions resolving the condition have already been implemented. In May of 2015, DVR instituted a revised process for receiving and accepting goods and services. The process requires DVR staff who are responsible for receiving and accepting goods and services to certify such receipt and acceptance via signature and date on a uniform invoice stamp that has been implemented statewide and which is required by the DVR Accounts Payable Unit on all invoices. If the staff member preparing payment is not the person who directly received the goods or services, that staff makes the certification only after receiving the certification from the staff person who directly received the goods or services. The Accounts Payable Unit supervisor and the DVR Chief Financial Officer are responsible for ensuring compliance with the invoice certification policy.

DIVISION OF VOCATIONAL REHABILITATION FINDINGS (Continued)

2015-002 Financial Close and Reporting – Accounts Receivable Reconciliation (Material Weakness)

Condition: During our testwork over accounts receivable for the *DVR General Fund, SHARE fund 50000,* we noted the Division did not have adequate supporting detail for 5 of the 9 draws that constitutes $888,162 of the $1,398,862 balance reported as due from federal government per the Balance Sheet – Governmental Funds as of June 30, 2015. The Division had to recreate the supporting detail during the audit to ensure the reconciled accounts receivable balance was materially correct at June 30, 2015. The Division was unable to reconcile $38,755 of the balance. It does not appear as though the Division has adequate controls in place over draws as supporting detail is not maintained by the Division and is not easily accessible.

Criteria: The Manual of Accounting Practices requires that all state agencies "perform monthly reconciliations" and "Maintain accounts and information as necessary to show the sources of state revenues and the purpose for which expenditures are made and provide proper accounting control to protect state finances". Additionally, Section 6-5-2, NMSA 1978 states that "State agencies shall comply with the Model Accounting Practices established by the Financial Control Division of the Department of Finance and Administration and the administrative head of each agency shall ensure that the Model Accounting Practices are followed."

Effect: Without adequate supporting documentation there is an increased risk of errors or fraud going undetected. Additionally, there is an increased risk the Division could draw down more than was expended. Furthermore, there is an increased risk of misstatement on the financial statements.

Cause: The Division implemented a new process for drawing federal funds and reconciling projects in FY 15. The Division failed to develop well-established policies and procedures related to the new process.

Recommendation: We recommend that the Division continue to develop policies and procedures to outline the requirements, timeliness and responsibilities over the financial close and reporting process. The Division should also ensure all supporting documents are maintained and readily available to support the balances at June 30, 2015.

Management's Response: Management concurs with the nature of this finding but disagrees with the comment that the division does not appear to have adequate controls in place over draws as supporting detail is not maintained by the division. While DVR did have to recreate the supporting detail, the original documents were ultimately produced from Division files. DVR was able to reconcile the balance, and presented reconciled backup documentation per the auditor's request prior to the close of the audit that demonstrated that revenue and expenditure amounts under the FFY15 Vocational Rehabilitation grant and FFY15 Social Security Administration grant reconciled with the cash amount drawn for the period ending June 30, 2015. For FY16, DVR will ensure supporting detail is maintained by the Division for all federal grants cash draws, and require two approval signatures on all Grant Draw Worksheets. The PED will provide technical support to DVR on proper document storage and control as well file management to ensure uniform processes are in place to properly document all draws, and perform

DIVISION OF VOCATIONAL REHABILITATION FINDINGS (Continued)

2015-002 Financial Close and Reporting – Accounts Receivable Reconciliation (Material Weakness)(Continued)

regular reconciliations of federal cash account balances. The Chief Financial Officer is responsible for ensuring that accounts receivable balances are accurately posted and collected timely.

Section III – Findings and Questioned Costs – Major Federal Award Programs Audit

DIVISION OF VOCATIONAL REHABILITATION FINDINGS

2014-007 Eligibility (Significant Deficiency, Non-Compliance)

Federal Program Information:

Funding Agency:	*U.S. Department of Education*
Title:	*Rehabilitation Services – Vocational Rehabilitation Grants to States*
CFDA Number:	*84.126*
Award year and number:	*2015, H126A150045* *2014, H126A140045*

Condition: During our testing of eligibility controls and compliance it was noted that for 3 out of the 40 individuals tested the eligibility determination was not properly approved within the required 60 days.

Per our discussions with Division Management, in FY 16 the Division has implemented procedures to ensure eligibly determinations are signed within the required 60-day timeframe.

Criteria: 29 USC 722(a)(6), the designated State unit shall determine whether an individual is eligible for vocational rehabilitation services under this subchapter within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless – (A) exceptional and unforeseen circumstances beyond the control of the designated State unit preclude making an eligibility determination within 60 days and the designated State unit and the individual agree to a specific extension of time; or (B) the designated State unit is exploring an individual's abilities, capabilities, and capacity to perform in work situations under paragraph (2)(B).

Questioned Costs: None.

Effect: There is an increased likelihood that an ineligible individual could receive benefits without them being detected. Eligible individuals may not receive vocational rehabilitation benefits timely and in accordance with program requirements. Additionally, this could have a future impact on funding as the Federal government may reduce the funding for the New Mexico Rehabilitation Services program, which may have a significant effect on the operations of the program.

DIVISION OF VOCATIONAL REHABILITATION FINDINGS (Continued)

2014-007 Eligibility (Significant Deficiency, Non-Compliance) (Continued)

Cause: There was inconsistent oversight and review of eligibility determinations performed at the field office locations.

Recommendation: We recommend that the Division implement current controls with additional oversight from the Administrative Office or design and deploy revised procedures that allow for proper oversight between positions at the field offices. We also recommend that the Division establish monitoring procedures to ensure that eligibility determinations are completed timely in accordance with program requirements.

Management's Response: Management concurs with this finding. The condition causing this finding is related to a series of departures in FY13 and FY14 resulting in a 35 percent vacancy rate at the division. Since that time, DVR has reduced its vacancy rate to about 14 percent and now has sufficient personnel on staff to address the finding as well as sufficient staff to cross check employee work. DVR will implement a professional training module to ensure all staff are properly informed of records retention requirements along with implementing Field Operations Director-level oversight of Program Managers' reviews of the work of Vocational Rehabilitation Counselors (VRCs).

As part of the resolution of this audit finding, the Rehabilitation Services Deputy Director will oversee a complete caseload file review by Program Managers and VRCs by January 29, 2016. If deficiencies are found during this review period, the deficiency will be corrected by the VRC and reviewed and approved by the Program Manager of the area. Program Managers also will be required to review all pending eligibility determinations that are approaching the 60-day time limit and ensure that the deadline is met or an extension filed, and signed by the client as required.

2015-003 Level of Effort (Material Weakness, Material Non-Compliance)

Federal Program Information:

Funding Agency:	*U.S. Department of Education*
Title:	*Rehabilitation Services – Vocational Rehabilitation Grants to States*
CFDA Number:	*84.126*
Award year and number:	*2014, H126A140045*

Condition: During our testwork we noted the Division had a maintenance of effort (MOE) deficit of $2,753,324 related to federal fiscal year (FFY) 2014 which ended on 9/30/2014.

DIVISION OF VOCATIONAL REHABILITATION FINDINGS (Continued)

2015-003 Level of Effort (Material Weakness, Material Non-Compliance) (Continued)

Criteria: Section 111 (a)(2)(B) of the Rehabilitation Act of 1973 (Rehabilitation Act), as amended by the Workforce Innovation and Opportunity Act (WIAO) (P.L. 113-128) (29 USC 731(a)(2)(B)) and enacted on July 22, 2014, requires amount payable to a State for a fiscal year to be reduced by the amount by which expenditures from non-Federal sources under the State Plan for any previous fiscal year are less than the total of such expenditures for the fiscal year two years prior to that previous fiscal year.

Questioned Costs: None.

Effect: The FFY 2015 grant award was reduced by $2,753,324.

Cause: The Division incorrectly reported $1,892,801 of non-federal expenditures incurred in FFY 12 on the FFY 2011 SF-425 causing an increase of the required MOE for FFY 14. Additionally, the Division failed to allocate enough non-federal expenditures in FFY 14.

Recommendation: We recommend that the Division implement controls with additional oversight or design and implement revised procedures that allow for proper monitoring to ensure that SF-425 reports accurately reflect non-federal expenditures allocated to the award for the correct award period. Additionally, the Division should implement controls to ensure expenditures from non-federal sources are more than total expenditures for the fiscal year two years prior to that previous fiscal year.

Management's Response: Management concurs with this finding but notes a timing issue. The maintenance of effort (MOE) penalty levied against DVR was for the Federal Fiscal Year 2014 (FFY14) Vocational Rehabilitation federal grant award. Although the penalty was against FFY14 award, the actual reduction took place in FY15. This resulted in a finding for both FY14 and FY15 against the same action. The MOE issue was the result of DVR not booking its general fund match in the correct time frame resulting in the MOE shortfall. For FY15, DVR has restructured it financial systems to align with SHARE and is now able to track and apply the match in the correct time frame. For FY16, DVR will be able to take advantage of it full federal grant with no MOE issues to address. The Administrative Services Unit Deputy Director is responsible for ensuring that reporting is correct and that DVR maintains its General Fund match expenditure levels, which are based upon annual appropriations from the Legislature.

DIVISION OF VOCATIONAL REHABILITATION FINDINGS (Continued)

2015-004 Special Tests and Provisions (Significant Deficiency, Non-Compliance)

Federal Program Information:

Funding Agency:	*U.S. Department of Education*
Title:	*Rehabilitation Services – Vocational Rehabilitation Grants to States*
CFDA Number:	*84.126*
Award year and number:	*2015, H126A150045* *2014, H126A140045*

Condition: During our testing of Individual Plan for Employment (IPE) controls and compliance it was noted that for 4 out of the 40 individuals tested, the IPE was not done within in 90 days after the date of the determination of eligibility by the Division. Furthermore, we noted an extension was not completed for these individuals.

Criteria: When an IPE is required for the provision of VR services under Section 103(a) of the Act, it must be done as soon as possible, but not later than 90 days after the date of the determination of eligibility by the State VR agency, unless the State VR agency and the eligible individual agree to an extension of that deadline to a specific date by which the IPE must be completed (Section 102(b)(3)(F) of the Act (29 USC 722(b)(3)(F))).

Questioned Costs: None.

Effect: Eligible individuals may not receive vocational rehabilitation benefits timely and in accordance with program requirements. Additionally, this could have a future impact on funding as the Federal government may reduce the funding for the New Mexico Rehabilitation Services program, which may have a significant effect on the operations of the program.

Cause: There was inconsistent oversight and review of IPEs performed at the field office locations.

Recommendation: We recommend that the Division implement current controls with additional oversight from the Administrative Office or design and deploy revised procedures that allow for proper oversight between positions at the field offices. We also recommend that the Division establish monitoring procedures to ensure that IPEs are completed timely in accordance with program requirements.

Management's Response: Management concurs with this finding. The condition causing this finding is related to a series of departures in FY13 and FY14 resulting in a 35 percent vacancy rate at the division. Since that time, DVR has reduced its vacancy rate to about 14 percent and now has sufficient personnel on staff to address the finding as well as sufficient staff to cross check employee work. DVR will

DIVISION OF VOCATIONAL REHABILITATION FINDINGS (Continued)

2015-004 Special Tests and Provisions (Significant Deficiency, Non-Compliance) (Continued)

implement a professional training module to ensure all staff are properly informed of records retention requirements. The Rehabilitation Services Deputy Director will oversee a complete caseload file review by Program Managers and VRCs by January 29, 2016. If deficiencies are found during this review period, the deficiency will be corrected by the VRC and reviewed and approved by the Program Manager of the area. Program Managers also will be required to review all pending IPEs that are approaching the 90-day time limit and ensure that the deadline is met or an extension filed, and signed by the client as required.

Section IV – Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978

PUBLIC EDUCATION DEPARTMENT FINDINGS

2013-005 Untimely Reversions (Non-Compliance)

Condition: During our testing of reversions we noted the Department failed to revert $197,740 timely across four funds related to fiscal year 2015. We noted these balances were unspent refunds received from different Schools and the Department failed to include these balances in the total FY 15 reversion.

During our testwork, we noted the Department did revert the unexpended balances appropriated directly to the Department for fiscal year 2015.

Criteria: Section 6-5-10(A) NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds as of June 30 to be reverted to the New Mexico State General Fund by September 30 and subsequently adjusted within 45 days of the completion of the annual audit.

Effect: The Department is not in compliance with Section 6-5-10(A) NMSA 1978.

Cause: Management did not include the money returned from the Schools when calculating the reversion.

Recommendation: We recommend the Department establish procedures, controls, and monitoring to ensure timely calculation and submission of reversions to the New Mexico State General Fund.

Management's Response: Management agrees with this finding. During their annual audits, school districts identified funds that needed to be returned to PED. These funds were accounted for properly but were not included in the year end reversion. The Audit and Accounting Bureau will research all items deposited into account 234900 (Due to State General Fund) quarterly. The bureau will reclassify non-reverting amounts to the proper accounts and will transfer reverting amounts to the state general fund. The CFO will review the status of these activities quarterly to ensure accuracy and timeliness.

Discretely Presented Component Unit Findings

ACADEMY OF TRADES AND TECHNOLOGY FOUNDATION

2012-002 Internal Control Structure – (Material Weakness)

Condition: During our fieldwork we noted:

- The receivable associated with the lease purchase agreement with the School was not properly recorded by the Foundation. Payments associated with the mortgage payable are not being properly recorded by the Foundation on its general ledger. The Foundation continued to hold capital assets on their books.

- There is no documentation that the bank reconciliations were being reviewed.

- The Foundation does not have adequate segregation of duties over the processing of invoices and cash receipts. The Foundation's President processes all accounting transactions without any review or approval of any other individuals.

- There is a general lack of accounting records at the Foundation.

Criteria: Per sound accounting standards an entity shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP. Additionally, good internal controls require that an organizational structure be in place which separates incompatible activities to preclude control by any individual. Bank reconciliations should be reviewed and approved by someone other than the preparer.

Effect: The internal financial statements were not properly stated. The potential for misappropriation of funds is present when one person is responsible for all phases of an accounting process.

Cause: The foundation does not have any staff limiting the processes/transactions that are performed by the Treasurer.

Recommendation: We recommend the Foundation develop and implement internal controls to properly record all transactions that occur during the year. We recommend that the Foundation fill the empty places on the Board so that accounting duties could be separated.

Management's Response: Management will establish and maintain an internal control structure that will provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition.

ACADEMY OF TRADES AND TECHNOLOGY FOUNDATION (CONTINUED)

2012-002 Internal Control Structure – (Material Weakness) (Continued)

Management anticipates this finding will being cleared in FY2016 as the foundation was closed and a new foundation was established in its place. Specifically, effective September 23, 2015 ATT2551, Inc. (former foundation) was dissolved, and transferred 2551 Karsten (property location) to Friends of ATTCHS, Inc. (new foundation).

2013-001 Composition of Board - (Compliance)

Condition: The Foundation does not have the required members on their Board.

Criteria: Per the Foundation bylaws, the Board shall consist of no less than three members.

Effect: The Foundation does not have proper oversight, which could result in errors going undetected.

Cause: Management made several attempts to solicit the required members.

Recommendation: We recommend that the Foundation ensure that the Board has the necessary members.

Management's Response: Management will assure that the foundation board consist of no less than three board members, the board will also include non-voting members from the Governing Council, and the school. Management will complete this by December 31st.

ACADEMY OF TRADES AND TECHNOLOGY

2015-001 Purchase Orders – (Significant Deficiency)

Condition: During our testing of sixty cash disbursements we noted the following:

- There was one instance ($798.77) in which the Purchase Order was not attached.
- A purchase order in the amount of $817.00 did not have the Principal's signature on it.

Criteria: Section NMAC 6.20.2.17(A), requires that each school shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, states that "the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction."

ACADEMY OF TRADES AND TECHNOLOGY (CONTINUED)

2015-001 Purchase Orders – (Significant Deficiency)

Effect: Not being in compliance with state purchasing requirements places the School at risk for fraud or misuse of public funds.

Cause: School personnel did not follow established procurement policies of the School.

Recommendation: All School personnel should be reminded that initiation of a purchase order is not sufficient for ordering; that an approved Purchase Order is required per School and State guidelines.

Management's Response: Management will assure that all purchase requisitions have an approved purchase order before placement of orders for goods, services, or construction cost.

Management will hold, semi-annually, policy and procedures training for all staff. Trainings will focus on the policy and procedures of requesting a purchase order, as required per School and State Policies. Training will be completed by December 31st.

ACE LEADERSHIP HIGH SCHOOL

2015-001 Fund Balance Journal Entries (Other Matter)

Condition: During our fieldwork we noted an entry for $5,401 to fund balance for fund 21000 and another entry of $50,000 to fund balance for fund 29114. These entries were reversed as part of the audit to make fund balance roll forward from the prior year financial statements.

Criteria: Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP."

Effect: The amounts reported to PED could be inaccurate and actual available funds may be improperly recorded, which could lead to funds being overspent and balances misstated in the financial statements.

Cause: Management's review of posting entries did not detect or prevent the posting errors.

Recommendation: We recommend the School review fund balances to ensure funds have proper ending balances and each fund is properly reconciled.

ACE LEADERSHIP HIGH SCHOOL (CONTINUED)

2015-001 Fund Balance Journal Entries (Other Matter) (Continued)

Management's Response: Management reviewed the entries and consulted with the Finance Committee. After the review, it was determined the entries should be reversed and correcting entries should be posted, but the entries did not occur prior to the start of the audit field work. By December 31, 2015, the Business Manager and Finance Committee will develop internal controls to prevent this from happening in the future.

2015-002 Cash Reconciliations (Material Weakness)

Condition: The following items were noted during our testing of cash:

- At June 30, 2015 the general ledger reports a cash balance of $677,712.81.
- At June 30, 2015 the bank reconciliation reports a cash balance of $661,345.50.
- At June 30, 2015 the PED Cash Report shows a balance of $658,529.99.

School personnel were unable to reconcile the variances noted above.

Criteria: According to 6.20.2.11 (B) (6), NMAC, "School districts shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparisons of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer generated reports." The New Mexico Manual for Procedures for Public School Accounting and Budgeting Supplement 7 Cash Controls also requires that the reports sent to the New Mexico Public Education Department (PED) must agree to school district records.

Effect: The PED does not have an accurate accounting of the School's activity.

Cause: School personnel know there are variances, but have not been able to identify and correct all the variances. The posting of journal entries to fund balance (see Finding 2015-001 above) may also be a contributing factor.

Recommendation: We recommend that policies and procedures be implemented to ensure that bank accounts are properly reconciled on a monthly basis and that the quarterly PED cash reports reconcile to the general ledger.

Management's Response: Management agrees and has since identified and resolved the variances in the cash reconciliation. The school has sufficient policies and procedures in place to ensure bank accounts are being reconciled on a monthly basis. The Business Manager will post the necessary journal entries and ensure that all bank accounts and PED cash reports will reconcile to the general ledger by December 31, 2015.

ACE LEADERSHIP HIGH SCHOOL (CONTINUED)

2015-003 Purchase Orders Subsequent to Invoice – (Significant Deficiency)

Condition: During our testing of sixty cash disbursements we noted there was one instance ($1,356.23) in which the Purchase Order was prepared subsequent to the vendor's invoice date.

Criteria: Section NMAC 6.20.2.17 (A), requires that each school shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, states that "the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction."

Effect: Not being in compliance with state purchasing requirements places the School at risk for fraud or misuse of public funds.

Cause: School personnel did not follow established procurement policies of the School.

Recommendation: All School personnel should be reminded that initiation of a purchase order is not sufficient for ordering; that an approved Purchase Order is required per School and State guidelines.

Management's Response: Management has sufficient existing school policies and internal controls in place to ensure compliance with the procurement code. This is one remote instance. School personnel will be reminded by the Business Manager of these policies by email and verbally by next staff meeting on December 2, 2015.

2015-004 Budgetary Condition – (Compliance)

Condition: ACE Leadership High School expended in excess of budget in the following fund and function:

Fund 31700 SB-9 Capital Improvements	
Capital Outlay	$16,330

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22- 8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts the function is the legal level of control.

Effect: The school is out of compliance with State Law and the control established by the use of budgets has been compromised.

ACE LEADERSHIP HIGH SCHOOL (CONTINUED)

2015-004 Budgetary Condition – (Compliance) (Continued)

Cause: A budget adjustment request was never submitted to account for the additional expenditures incurred.

Recommendation: The School should establish a policy of budgetary review at year-end and make the necessary budgetary adjustments.

Management's Response: The school has procedures in place to review the budget at year end to make sure all BARs are submitted in a timely manner. The Business Manager will be responsible for the review of the budgets. The final budget adjustment request will be completed prior to PED required deadline.

ALBUQUERQUE INSTITUTE FOR MATHEMATICS & SCIENCE

2015-001 Expenditures Exceed Budget (Other Matter)

Condition: The Charter has expenditure functions where actual expenditures exceeded budgetary authority:

Fund	Excess of Expenditures over Appropriations
HB 33 Capital Improvements (31600)	
Support Services – General Administration	$ (18)

Criteria: According to 6.20.2.9 NMAC, budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed.

Effect: The Charter is non-compliant with State Law.

Cause: A budget adjustment request was not submitted to account for additional expenditures incurred for HB-33 Capital Improvements.

Recommendation: We recommend that the Albuquerque Institute for Mathematics & Science should establish a policy of budgetary review at year-end to make the necessary budgetary adjustments.

Management's Response: The school does review the budget monthly; however, since the property taxes received were higher than estimated, the county tax collection fee was higher as well. In the future, the school will project at a slightly higher rate to prevent future occurrence.

ALBUQUERQUE SCHOOL OF EXCELLENCE

2015-001 Internal Control Structure (Significant Deficiency, Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During our internal control testwork over a sample of 25 cash disbursements we found three instances where a purchase order was not created for an expenditure.

Criteria: NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and polices that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP."

Effect: Reimbursements could be made without proper approval and expenditures could be reported inaccurately or misclassified in the improper fund. This could result in funds being overspent and balances misstated.

Cause: The School did not follow their policies and procedures.

Recommendation: Ensure a purchase order is prepared and approved for all applicable expenditures. Once completed, all purchase orders should be maintained.

Management's Response: The Albuquerque School of Excellence has worked hard to develop financial policies and procedures that are both compliant and safe guard the school from financial mismanagement. Management will work with the school administration and all staff to emphasize the procedures established and ensure that all purchases have an approved purchase order before goods or services are not only received but ordered. The business manager and procurement officer will ensure correct polices are implemented and expect to have them in place by January 2016.

2015-002 Budget Adjustment Requests (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: One of three budget adjustment requests (BARs) reviewed was not included in the Governing Council meeting minutes as having been discussed and approved prior to obtaining PED approval.

Criteria: As stated in the School's policies and procedures, the administration, in consultation with the business manager, shall regularly report to the Governing Council regarding the extent to which actual revenues and actual expenditures in the major line items (i.e. those items designated by the Public Education Department as requiring Budget Adjustment Requests for any changes) vary from budgeted amounts reflected in the final approved budget. The administration shall present any recommended

ALBUQUERQUE SCHOOL OF EXCELLENCE (CONTINUED)

2015-002 Budget Adjustment Requests (Noncompliance in Accordance with the New Mexico State Audit Rule) (Continued)

budget adjustment requests to the Governing Council prior to submission to the Public Education Department. No changes to the major budget line items in the final approved budget shall be modified without the approval of the Governing Council.

Effect: When BAR's are not first discussed with the Governing Council, this prevents the Governing Council from having accurate information regarding the budget in order to make decisions. The School is not in compliance with their policies and procedures.

Cause: The School did not follow internal policies and procedures. Alternatively, Governing Council minutes were not complete to include details of all items discussed and approved.

Recommendation: Ensure the Governing Council approves all BARs. In addition, we recommend that the minutes include necessary detailed information pertaining to all items discussed.

Management's Response: The School will review examples of other school districts approved board minutes in an effort to ensure that The Albuquerque School of Excellence's Governing Council minutes provide more than adequate information for all stake holders. The business manager and governing council will ensure internal controls are implemented by January 2016.

2015-003 Cash Receipts (Significant Deficiency, Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During our internal control testwork over a sample of ten cash receipts we noted three receipts totaling $3,557 where supporting documentation for bank deposits could not be located. We were unable to determine if these receipts were accurately recorded, reconciled, and deposited within 24 hours. Additionally, we noted four receipts totaling $1,069 that were not deposited in the bank within 24 hours.

Criteria: Per NMAC 6.20.2.14 A. school districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations, and C. Money received and receipted shall be deposited in the bank within 24 hours or one banking day.

Effect: The School is not in compliance with NMAC 6.20.2.14.

Cause: The School was unable to locate documentation for cash receipts from April to June of 2015 and internal controls were not in place to ensure receipts were deposited within 24 hours.

ALBUQUERQUE SCHOOL OF EXCELLENCE (CONTINUED)

2015-003 Cash Receipts (Significant Deficiency, Noncompliance in Accordance with the New Mexico State Audit Rule) (Continued)

Recommendation: Ensure source documentation related to all cash receipts is maintained and ensure that receipts are deposited in the bank within 24 hours.

Management's Response: The Albuquerque School of Excellence has worked hard to establish and maintain a set of internal controls and policies and procedures. The School identified inconsistencies with personnel following the defined policies and procedures, and has made applicable changes to the personnel for the 2015-2016 school year. The School has reviewed the policies and procedures with the incoming staff and is confident that the areas of policy application and records maintenance will be greatly improved. The business manager and principal will ensure the policies are implemented by August 2015.

2015-004 Budgetary Conditions (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: The School did not properly budget prior year cash carry-over in the SB-9 Capital Improvements Fund 31700. Prior year cash carry-over was $89,073 which was insufficient to cover the budgeted deficit of $93,734.

Criteria: Per NMAC 6.20.2.9 (A) every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12.2, NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information.

Effect: The School is out of compliance with New Mexico state statute and the controls established by the use of budgets has been compromised, which would result in deficit fund balances and unnecessary usage of funds to cover the budgeted over expenditures.

Cause: The budget adjustment request did not consider prior year carry-over amounts for the SB-9 Capital Improvements fund and a budget adjustment request was not prepared and submitted to PED.

Recommendation: We recommend that the School establish a policy where the budget is reviewed at the end of each quarter and give consideration to deficits and ensure that designated cash is available to cover such overages.

Management's Response: Fiscal year (FY) 2014 marked the first year that the School received Senate Bill 9 Ad Valorem revenues. FY2015 was the first year the School had a cash carryover in capital funds. Processes during the course of a normal year hold that projected cash carryover amounts are "trued up" with the receipt of draft financials. Being that draft financials weren't provided until the end of the fiscal year due to the initial external auditor backing out of the FY14 audit, the School used its own internal financial statements to true up the cash carryover amount for the Operational fund. The SB-9 Fund

ALBUQUERQUE SCHOOL OF EXCELLENCE (CONTINUED)

2015-004 Budgetary Conditions (Noncompliance in Accordance with the New Mexico State Audit Rule)

31700 was not included in this abnormal process. Management will do a final review of all funds prior to the end of each fiscal year regardless of the status of the audit to ensure that all funds have correct budget authority. It should be noted that even though the School had budget authority to possibly expend more than what was available in cash, the School is required to get permission to obligate funds to the PED before even issuing a purchase order for this fund. Not only are there additional steps designed to prohibit over spending funds, it should be noted that the School did not have any expenditures what so ever from this fund in FY15. The business manager will implement the proper controls and expect to have these implemented by November 2015.

ALBUQUERQUE SIGN LANGUAGE ACADEMY

2014-001 Travel and Per-Diem (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During fiscal year 2015, the School used the Internal Revenue Service (IRS) standard rate for mileage reimbursements. We reviewed three mileage reimbursements for travel in a privately owned vehicle and all three reimbursements were paid at the IRS standard rate.

Criteria: NMAC 2.42.2.11(b)(1) states that public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile at 80% of the IRS standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Effect: The School is not in compliance with the Per Diem and Mileage Act and is overpaying employees for travel on behalf of the School.

Cause: The School did not have internal controls in place to ensure mileage reimbursements were paid in accordance with the New Mexico Per Diem and Mileage Act.

Auditors' Recommendation: The School should follow the Per Diem and Mileage Act for local governments when paying for mileage reimbursements.

Management's Response: The School has changed its mileage reimbursement policy in accordance with the prior year audit. The School has been in compliance with the Per Diem and Mileage Act upon the Board approved policy update.

ALBUQUERQUE SIGN LANGUAGE ACADEMY (CONTINUED)

2014-002 Staff Qualifications and Payroll (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During internal control testwork over a sample of 25 payroll transactions we noted a teacher that did not have a license from the Public Education Department (PED). We attempted to locate this individual's license on the PED website and were unsuccessful. We also noted three individuals employed as "Language Facilitators" whose responsibilities, as per the employment contract include, "assuming the responsibility for assisting with the daily planning and implementation of the School's educational programs." These three individuals did not have an educational assistant's license.

We also noted three employees for which Retiree Health Care (RHC) withholdings and contributions should have been made but were not.

Criteria: NMAC 6.61.2 through 6.61.12 (Chapter 61) outlines the various licensure requirements for persons seeking an instructor's license. NMAC 6.63.9 establishes three levels of licensure for educational assistants and governs the licensure requirements for persons seeking level 1, level 2, and level 3 educational assistant licensure.

All employees who are entitled to ERB pension benefits must contribute to RHC.

Effect: The School is not in compliance with applicable requirements of Chapter 61 for the instructor noted above and is not in compliance with NMAC 6.63.9 for the educational assistants noted above. The School is not in compliance with RHC requirements.

Cause: The School did not have internal controls in place to ensure all required documentation was obtained prior to hiring the instructor and educational assistants noted above and a process is not in place that would provide periodic reviews of employee personnel files to ensure they are complete. Controls are not in place to ensure all required employees and the School are contributing to RHC, where required.

Auditors' Recommendation: Develop and implement internal control procedures to ensure all required documents are obtained prior to hiring and that will ensure RHC is properly withheld and contributed each month.

Management's Response: The School's business office will not allow new employees to begin their employment until appropriate licensure, background information and other required documents are verified and in place. Also, the School's business office will perform a monthly RHC reconciliation to confirm that all required employees are contributing.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

ALMA D'ARTE CHARTER HIGH SCHOOL

2014-001 Timely Deposits - (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: During our cash receipts testing we noted that deposits were not being made within twenty-four (24) hours after being received. Of our sample of 12, one receipt totaling $1,600 was not deposited within 24 hours. There were an additional 4 receipts totaling $3,996.24 that were missing documentation and it could not be determined if they were deposited timely. No progress has been made in the current year.

Criteria: Per NMAC 6.20.2.14.C states that "money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.

Effect: The School is not in compliance with State statute and has exposed itself to possible misappropriation of funds.

Cause: There is a lack of good controls over cash and check receipts.

Recommendation: We recommend that the School set policies and procedures in place to ensure that all cash receipts are deposited within 24 hours.

Management's Response: The Business Manager will ensure deposits are made within 24 hours and that all supporting documentation is attached. This will be implemented immediately.

2015-001 Budget Adjustment Requests (BAR) (Compliance)

Condition: We noted the School budgeted more cash carryover of $69,058 than the School had available for the Operational Fund.

Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR's are included in final budget amounts reported to Schools PED report. Per NMAC 6.20.2.10.B, School districts shall submit budget adjustment requests for the operating budget to the department for budget increases, budget decreases, transfers between functional categories, and transfers from the emergency reserve account. Expenditures shall not be made by the school district until budget authority has been established and approval received from the department. Budget adjustments shall not be incorporated into the school district's accounting system until approval is received by the department.

Effect: The school is not in compliance with State Statutes.

Cause: The budget was not being properly monitored.

ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)

2015-001 Budget Adjustment Requests (BAR) (Compliance) (Continued)

Recommendation: The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

Management's Response: The Business Manager will ensure that the proper budget adjustment is made to match the audited cash balance. This will be implemented immediately.

2015-002 Mileage Reimbursements – (Compliance)

Condition: For the year ended June 30, 2015, auditor noted that the School reimbursed employees for mileage at a rate of fifty-five cents per mile. Of the 5 travel items tested that included mileage reimbursements, 100% reimbursed a rate higher than the current statutory rate. Of these 5 items, the total excess reimbursed was $193.94.

Criteria: NMAC 2.42.2.11 (B) (1) states public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the official discharge of official duties as follows: "unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle."
Effect: The School is not in compliance with New Mexico State Statutes in regards to mileage reimbursement.

Cause: The School contends that it is a Local Public Body and not a State Agency. As a Local Public Body, the school contends that it may reimburse mileage at the full amount authorized by the IRS. The New Mexico Public Education Department (PED) has indicated to the auditors that charter schools chartered under PED are a component unit of PED and should reimburse mileage at the rate approved for a State Agency.

Recommendation: The School should reimburse mileage at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management's Response: The Business Manager will use the 80% of the IRS rate instead of the Board approved rate. This will be implemented immediately.

2015-003 Per Diem Rate Reimbursements – (Compliance)

Condition: For the year ended June 30, 2015, auditor noted that the School reimbursed employees in excess of the allowable rate for per diem once of seventeen items tested. Additionally, the School could not provide documentation for three of seventeen travel disbursements tested, for $1,939.90

ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)

2015-003 Per Diem Rate Reimbursements – (Compliance) (Continued)

Criteria: NMAC 2.42.2.8 (B) (1) states public officers and employees who occasionally travel shall be reimbursed for travel that does not require overnight lodging but extends beyond a normal workday as follows:

(a) for less than 2 hours of travel beyond normal work day, none;
(b) for 2 hours, but less than 6 hours beyond the normal work day, $12.00;
(c) for six hours, but less than 12 hours beyond the normal work day, $20.00;
(d) for 12 hours or more beyond the normal work day, $30.00;

NMAC 2.42.2.9 (B) (3) states actual expenses for meals are limited by Section 10-8-4(K)(2) NMSA 1978 (1995 Repl. Pamp.) to a maximum of $30.00 for in-state travel and $45.00 for out-of-state travel for a 24-hour period.

Effect: The School does not comply with New Mexico State Statutes in regards to per diem reimbursement.

Cause: The School authorized payment of per diem reimbursements in excess of authorized per diem rates.

Recommendation: The School should review statutory amounts allowed for reimbursements, carefully scrutinize all request for reimbursements, and disallow any request that exceed the authorized amount. Additionally, school should conduct training for all employees concerning expense amounts allowed for all official travel.

Management's Response: The Business Manager will ensure that the state statue is followed for travel reimbursements. This will be implemented immediately.

AMY BIEHL HIGH SCHOOL

2014-001 Mileage Reimbursements – (Compliance)

Condition: For the year ended June 30, 2015, it was noted that the School reimbursed employees for mileage at a rate of fifty six cents per mile.

Criteria: NMAC 2.42.2.11 (B) (1) states public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the official discharge of official duties as follows: "unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle."

AMY BIEHL HIGH SCHOOL (CONTINUED)

2014-001 Mileage Reimbursements – (Compliance) (Continued)

Effect: The School is not in compliance with New Mexico State Statutes in regards to mileage reimbursement.

Cause: The School contends that it is a Local Public Body and not a State Agency. As a Local Public Body, the school contends that it may reimburse mileage at the full amount authorized by the IRS. The New Mexico Public Education Department (PED) has indicated to the auditors that charter schools chartered under PED are a component unit of PED and should reimburse mileage at the rate approved for a State Agency.

Recommendation: The School should reimburse mileage at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management's Response: Amy Biehl High School disputes this finding. In March, 2010 the Finance Director at Amy Biehl High School received a determination from the Office of the State Auditor after posing the question: "There is one question that I have regarding the mileage reimbursement rate: When a charter school is authorized by the Public Education Commission, is the school considered a state agency or a local public body?" Their answer is: "Regardless of who chartered the school, charter schools fall under the definition of local public bodies."

The New Mexico Administrative Code, 2.42.2.11 (D) states: Local Public Bodies: Public officers and employees of local public bodies may be reimbursed for mileage accrued in the use of a private conveyance in the discharge of official duties, at the statutory rates unless such rates have been reduced by the governing bodies of the local public body pursuant to Section 10.8.5(D) NMSA 1978. That statute states, in regards to local public bodies: The governing body of any local public body may eliminate or may reduce the rates set for the per diem and mileage for all or any class of public officials and employees of the local public body at any time the local public body deems it to be in the public interest, and such reduction shall not be construed to permit payment of any other compensation, perquisite or allowance. The local public body shall exercise this power of reduction in a reasonable manner and shall attempt to achieve a standard rate for all public officers and employees of the same classification. Based on the statute and regulation noted above, the statutory rate for local public bodies is 100% of the IRS rate unless the governing body of the local public body reduces or eliminates that rate. The Governing Board of Amy Biehl High School has not reduced or eliminated that rate. Therefore, Amy Biehl High School is allowed to reimburse 100% of the IRS mileage rate.

Auditor's Rebuttal: It has been determined that the school is a component unit of the New Mexico Public Education Department. Because the school is a component unit of a State Agency, it must follow state statutes which limit mileage reimbursements to 80% of the Internal Revenue Service standard mileage rate.

AMY BIEHL HIGH SCHOOL (CONTINUED)

2015-001 Budgetary Conditions – (Compliance)

Condition: The School has an expenditure function where actual expenditures exceeded budgetary authority:

Amy Biehl High School Foundation
Fund 26187 $98

The School also budgeted in excess of beginning cash available.

SB-9 Capital Improvements
Fund 31700 $3,383

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22- 8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts the function is the legal level of control.

Effect: The school is out of compliance with State Law and the control established by the use of budgets has been compromised.

Cause: A budget adjustment request was never submitted to account for the additional expenditures incurred for the Amy Biehl High School Foundation fund. In addition a budget adjustment request was not submitted for expenditures in excess of beginning cash in the SB-9 Capital Improvements Fund.

Recommendation: The School should establish a policy of budgetary review at year-end and make the necessary budgetary adjustments.

Management's Response: This condition is a result of Budget Adjustment Requests (BAR's) not being submitted to adjust FY 2014 ending cash balances in these funds. Amy Biehl High School was unable to submit Budget Adjustment Requests (BAR's) to the PED to increase the audited 2013-2014 year cash balance and thus increase the budget for these funds because the 2013-2014 audit had not been released by the final BAR submission deadline of June 1, 2015. State law prohibits the school from discussing an audit with anyone, including the Governing Council, until the audit has been released by the Office of the State Auditor. This rule exists as any person from the "general public" may attend open board meetings and any discussion of an unreleased audit to approve BAR's resulting from the audit would violate this rule. Adjusting the cash balance requires a BAR, and a BAR requires Governing Council approval. In fiscal year 2016 the business manager will ensure this does not occur again. This will be completed by December 31st.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

ANTHONY CHARTER SCHOOL

2014-001 Timely Deposits – (Compliance)

Condition: During our cash receipts testing, auditor noted that Anthony Charter School did not make deposits for cash receipts within twenty-four (24) hours of receipt. Fifteen of fifteen deposits tested, for a total of $11,159.44, were not deposited timely or school could not provide documentation to show deposits were deposited timely. No progress has been made in the current year.

Criteria: Per NMAC 6.20.2.14.B states that "money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day."

Effect: The School is not in compliance with State statute and has exposed itself to possible misappropriation of funds.

Cause: There is a lack of adequate controls over cash and cash receipts.

Recommendation: The School should implement policies and procedures that track and maintain all items relating to cash receipts and ensure deposits are made timely.

Management's Response: Current policies and procedures are in place that require that all personnel adhere to statutory requirements concerning cash receipts. These policies and procedures will be received and reinforced with the appropriate personnel.

2014-002 Mileage Reimbursements – (Compliance)

Condition: For the year ended June 30, 2015, auditor noted that the School reimbursed employees for mileage at a rate of fifty-six cents per mile. Of the 18 travel items tested that included mileage reimbursements, 80% reimbursed a rate higher than the current statutory rate. Additionally, documentation for one of eighteen travel disbursements tested, in the amount of $327.08 could not be located. No progress has been made in the current year.

Criteria: NMAC 2.42.2.11 (B) (1) states public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the official discharge of official duties as follows: "unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle."

Effect: The School did not comply with New Mexico State Statutes in regards to mileage reimbursement.

Cause: The School contends that it is a Local Public Body and not a State Agency. As a Local Public Body, the school contends that it may reimburse mileage at the full amount authorized by the IRS. The New Mexico Public Education Department (PED) has indicated to the auditors that charter schools chartered

ANTHONY CHARTER SCHOOL (CONTINUED)

2014-002 Mileage Reimbursements – (Compliance) (Continued)

under PED are a component unit of PED and should reimburse mileage at the rate approved for a State Agency.

Recommendation: The School should reimburse mileage at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management's Response: The school is aware of the recommendation as set forth by the auditors as prescribed by the NMPED as its authorizer. Current mileage reimbursements are to be set at 80% of the IRS rate.

2014-003 Audit Committee – (Compliance)

Condition: The School does not have the required members on their audit committee. Currently the committee consists of three Board of Governance members. No progress has been made in the current year.

Criteria: Per NMSA 22-8-12.3 Each local school board shall appoint an audit committee that consists of two board members, one volunteer member who is a parent of a student attending the school district and one volunteer member who has experience in accounting or financial matters.

Effect: The School does not comply with New Mexico State Statutes in regards to the appointment of audit committee members.

Cause: The School has been unable to solicit the required members to date.

Recommendation: We recommend that the school review state compliance requirements and ensure that the audit committee consists of the members necessary.

Management's Response: School management and its Governing Council are aware of the requirements of the audit committee. A parent of a current student as well as a volunteer from the community with financial experience are actively being sought out in order to meet those requirements.

2015-001 Per Diem Rate Reimbursements – (Compliance)

Condition: For the year ended June 30, 2015, auditor noted that the School reimbursed employees in excess of the allowable rate for per diem in two of eighteen items tested. The total excess reimbursed is $69.59. One of these reimbursements included payment for meals of non-employees. Additionally, the School could not provide documentation for one of eighteen travel disbursements tested, for $327.08.

ANTHONY CHARTER SCHOOL (CONTINUED)

2015-001 Per Diem Rate Reimbursements – (Compliance)(Continued)

Criteria: NMAC 2.42.2.8 (B) (1) states public officers and employees who occasionally travel shall be reimbursed for travel that does not require overnight lodging but extends beyond a normal workday as follows:

(a) for less than 2 hours of travel beyond normal work day, none;
(b) for 2 hours, but less than 6 hours beyond the normal work day, $12.00;
(c) for six hours, but less than 12 hours beyond the normal work day, $20.00;
(d) for 12 hours or more beyond the normal work day, $30.00;

NMAC 2.42.2.9 (B) (3) states actual expenses for meals are limited by Section 10-8-4(K)(2) NMSA 1978 (1995 Repl. Pamp.) to a maximum of $30.00 for in-state travel and $45.00 for out-of-state travel for a 24-hour period.

Effect: The School does not comply with New Mexico State Statutes in regards to per diem reimbursement.

Cause: The School authorized payment of per diem reimbursements in excess of authorized per diem rates.

Recommendation: The School should review statutory amounts allowed for reimbursements, carefully scrutinize all request for reimbursements, and disallow any request that exceed the authorized amount. Additionally, school should conduct training for all employees concerning expense amounts allowed for all official travel.

Management's Response: All travel reimbursements will be more completely scrutinized by the business office and school management to ensure that per diem reimbursements do not exceed statutory maximums.

2015-002 Budget Adjustment Requests (BAR) (Compliance)

Condition: We noted the School budgeted more cash carryover of $5,768 than the School had available for the Operational Fund.

Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR's are included in final budget amounts reported to Schools PED report. Per NMAC 6.20.2.10.B, School districts shall submit budget adjustment requests for the operating budget to the department for budget increases, budget decreases, transfers between functional categories, and transfers from the emergency reserve account. Expenditures shall not be made by the school district until budget authority has been established and approval received from the department. Budget adjustments shall not be incorporated into the school district's accounting system until approval is received by the department.

ANTHONY CHARTER SCHOOL (CONTINUED)

2015-002 Budget Adjustment Requests (BAR) (Compliance)(Continued)

Effect: The school is not in compliance with State Statutes.

Cause: The budget was not being properly monitored.

Recommendation: The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

Management's Response: Normal procedures for the school hold that BARs are presented to the Governing Council for the purpose of matching projected cash carryover amounts to actual cash carryover amounts. These BARs are then submitted to the NMPED. The NMPED requires that all BARs have official documentation verifying amounts of increase or decrease. Historically, the NMPED has accepted the school's prior year audit as verification of cash carryover figures. To this date, the Office of the State Auditor has not released the FY14 audit to the public and therefore could not be used as backup for a BAR. Once the NMPED's audits are back to being released during a normal time frame the BAR process can be established once again to ensure that budget authority over cash carryover amounts are verified against the completed audit.

THE ASK ACADEMY

2013-001 Timely Deposits –Non-compliance in Accordance with the New Mexico State Audit Rule (Other Matter)

Condition: During testwork over cash receipts, we noted one deposit totaling $1,645.00, made up of several checks and cash, was collected and not deposited within 24 hours. Management has implemented the appropriate processes and procedures, however ASK Academy lacks the immediate response to deposit funds within 24 hours of receiving them.

Criteria: NMAC 6.20.2.14 (C) states that "money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.

Effect: The ASK Academy was not in compliance with the State Statute.

Cause: School personnel did not follow established procedures to deposit the money in a timely manner.

Recommendation: We recommend that management ensures deposits are made in accordance with NMAC 6.20.2.14.C.

Management's Response: The school has put additional procedures in place to address timely deposit of cash receipts.

THE ASK ACADEMY (CONTINUED)

2015-001 Mileage Reimbursements – (Non Compliance)

Condition: During fiscal year 2015, the ASK Academy used the IRS standard rate for mileage reimbursements. We reviewed six mileage reimbursement for an employee's private vehicle and the reimbursement was paid at the IRS standard rate.

Criteria: NMAC 2.42.11(b)(1) NMAC states that public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle

Effect: The ASK Academy is not in compliance with the Per Diem and Mileage Act and is overpaying employees for travel on behalf of the Charter.

Cause: The Charter contends that it is a Local Public Body and not a State Agency. As a Local Public Body, the Charter contends that it may reimburse mileage at the full amount authorized by the IRS. The New Mexico Public Education Department (PED) has indicated to the auditors that charter schools chartered under PED are a component unit of PED and should reimburse mileage at the rate approved for a State Agency.

Recommendation: The ASK Academy should follow the Per Diem and Mileage Act for local governments when paying for mileage reimbursements; reimburse mileage at 80% of the IRS standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management's Response: We disagree with this finding. The issue is not one of internal controls at the school but rather one of a change in opinion by the Public Education Department and external auditors. Previously the Public Education Department had issued a memorandum from the deputy secretary of education which stated charter schools were able to pay the mileage rate at the full IRS rate. Prior auditors had given charter schools audit findings for paying at the rate suggested here. The school followed prior PED and auditor instruction in paying the rate. The finding should be that the PED and auditors should be consistent in the interpretations issued to schools.

ASK ACADEMY - FOUNDATION

2015-001 Internal Control Structure (Material Weakness)

Condition: During our audit the Foundation we noted the following:

- Bank reconciliations are not prepared on a monthly basis.
- The President is involved various phases on the accounting process. The President prepares bond drawdown requests, can post revenues and expenses to the check register, can prepare and approve checks.

ASK ACADEMY – FOUNDATION (CONTIUNUED)

2015-001 Internal Control Structure (Material Weakness)(Continued)

Criteria: The Committee of Sponsoring Organizations (COSO) of the Treadway Commission identifies that management should evaluate their control activities to a level that ensure their policies and procedures that help ensure management directives are carried out. Control activities help to ensure that necessary actions are taken to address risks to achievement of the Organizations objectives. They include ensuring adequate segregation of duties which ensures that all duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions. Responsibilities for authorizing transactions, recording them and handling the related asset must be divided.

Additionally, per sound accounting standards an entity shall establish and maintain an internal control structure, including a reconcilement function, to provide management with reasonable assurance that assets are safe guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP. Additionally, good internal controls require that an organizational structure be in place which separates incompatible activities to preclude control by any individual.

Effect: Errors and misappropriation of assets could go unnoticed, which could further result in unreliable financial information.

Cause: The Foundation did have effective internal control processes in place.

Recommendation: We recommended the bank reconciliations be performed on a monthly basis and the Foundation implement financial policies procedures that ensure an adequate level of segregation of duties.

Management's Response: With the issuance of the bonds and the start of FY16, the financial operations of the ASK Foundation have now been moved to an external firm to maintain the bookkeeping functions. This will include preparation of periodic reports, reconciliation of the bank statement, and preparation of audit schedules required. The Foundation's main activity will continue to be the purchase-Lease/Purchase of the school's facility. Because this represents most of the financial activity in the Foundation and is overseen by the Trustee Bank, the internal controls established protect the Foundation from misappropriation. A review of internal controls over local funds will be completed for the remaining funds.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

CESAR CHAVEZ COMMUNITY SCHOOL

2015-001 Procurement Code (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: During our procurement test work, we noted the School did not obtain three quotes for security services whose total payments for the year amounted to $25,968. This contract was originally entered into in fiscal year 2013.

Criteria: NMAC 6.20.2.17 PURCHASING states A. Each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. Purchasing policies and procedures for grant funding shall comply with requirements established within the grant and the Procurement Code. An internal control structure over purchasing shall be established and maintained to assure compliance with school district policy, state and federal regulations. The School's financial policies state "All purchases must follow procurement code regulations as updated by the NM State General Services Department." According to NMSA Article I, Section 13-1-104, Central purchasing offices shall send copies of the notice or invitation for bids involving the expenditure of more than twenty thousand dollars ($20,000) to those businesses that have signified in writing an interest in submitting bids for nonprofessional services.

Effect: The School could be overpaying for services and goods.

Cause: Internal controls were not in place to ensure the School follows procurement guidelines when obtaining a vendor for nonprofessional services.

Recommendation: For nonprofessional purchases between $20,000 and $60,000, the School should solicit no fewer than three businesses via written requests containing the specifications for the procurement.

Management's Response: Cesar Chavez Community School has procedures in place to solicit a minimum of three bids for nonprofessional purchases between $20,000 and $60,000. The School has implemented a new filing system to allow for bids to be accessed after the year the initial contract and bidding process took place to allow for verification by the auditors. The business manager expects to have this process implemented by early 2016.

CIEN AGUAS INTERNATIONAL SCHOOL

2014-001 Internal Control Structure (Non-compliance in Accordance with the New Mexico State Audit Rule)

Condition: During testwork over a sample of 25 disbursements and four travel reimbursements we noted the following:

- Purchase orders were not created and approved for five general disbursements reviewed.
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CIEN AGUAS INTERNATIONAL SCHOOL (CONTINUED)

2014-001 Internal Control Structure (Non-compliance in Accordance with the New Mexico State Audit Rule)(Continue)

- For one travel reimbursement, we noted that meal expense reimbursement was based on the U.S. General Services Administration per diem rate for the locale where the employee traveled. Meal expense reimbursement was made in the amount of $71 per day for travel to Las Vegas, Nevada.
- For two of the sample items tested a purchase order was not available for our review.
- For three of the samples items tested an employee travel reimbursement form was not completed and submitted by the employee prior to disbursement.
- For one of the sample items tested mileage was reimbursed at the rate of $.439 per mile but should have been reimbursed at the rate of $.452 per mile.

Criteria: Per NMAC 6.20.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions

Effect: The school is not in compliance with per diem regulations set forth by NMAC 2.42.2.9 and policies regarding the appropriate documentation of travel and travel reimbursement. The School is at risk of over expending budgets when the purchase order process is circumvented.
Cause: Policies and procedures were not in place for travel reimbursement to ensure compliance with the rules noted above. Additionally, it wasn't until March 2015 that the school developed and implemented an "employee travel reimbursement voucher" and "employee request for travel form."

Recommendation: Develop and implement policies and procedures that will ensure compliance with the travel and per diem requirements as set-forth by NMAC 2.42.2.9 and ensure policies for the accurate and timely submission of employee travel reimbursement vouchers and employee request for travel forms are enforced.

Management's Response: A purchase requisition form was implemented by the current business manager during FY2015 and enforced this FY2016. All staff wishing to make a purchase completes the purchase requisition from and submits it to the Director for approval. After the purchase requisition has been approved by the Director it is then forwarded to the business manager and a purchase order is created. As for travel, a request for travel and a travel reimbursement form were implemented during FY2015 and enforced this FY2016. All staff wishing to travel completes the request for travel form and submits it to the Director for approval. After the request for travel has been approved all documents are submitted to the business manager and a purchase order is created for travel expenses. When an

CIEN AGUAS INTERNATIONAL SCHOOL (CONTINUED)

2014-001 Internal Control Structure (Non-compliance in Accordance with the New Mexico State Audit Rule)(Continue)

employee returns from the travel he/she is required to complete a travel reimbursement form if they wish to be reimbursed for their travel expenses. Both travel forms note the rates as per NMAC 2.42.2.9.

All staff is now aware of the new process for purchasing and for travel. The IRS mileage rate for 2014 was .56 cents and state would be .448 cents per mile. The IRS mileage rate for 2015 is .575 cents and state would be .46 cents per mile. State is 80% of IRS rate as per NMAC 2.42.2.11 (1).

2014-002 Payroll Transactions (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During internal control testwork over a sample of 25 payroll transactions, we noted the following:

- We noted three employee background checks that were not available for review. The School was unable to locate them and as a result had background checks completed in August and September 2015 for these individuals.
- We noted one employee where FICA/Medicare is being calculated on gross wages and not gross wages less applicable benefits.
- Leave was not tracked for the school director throughout the current school year.

Criteria: Background checks should be completed for all individuals hired for sensitive positions and in accordance with written policies and procedures as established by the Governing Council.
NMAC 6.20.2.18 requires various employee records and documentation to be maintained and available for inspection, including personnel/payroll action forms that properly document employee compensation. The School's payroll processing and payment procedures also have policies and procedures for tracking individual employee leave.

Effect: The School is not in compliance with requirements to have employee background checks completed and completed timely. Excess social security tax is being withheld each pay date for the individual noted above. The School is not in compliance with its payroll processing and payment policies and procedures and NMAC 6.20.2.18.

Cause: The School's policies and procedures are not being enforced.

Recommendation: Personnel files should be periodically reviewed to ensure all required personnel file documents have been obtained and are complete and accurate, including benefit election forms and compensation documentation. Lastly, leave for all employees should be tracked in accordance with the School's own policies and procedures.

Management's Response: A checklist has been created and is used to ensure that all human resource documents have been collected, entered and filed in each employee's personnel file. Leave is tracked

CIEN AGUAS INTERNATIONAL SCHOOL (CONTINUED)

2014-002 Payroll Transactions (Noncompliance in Accordance with the New Mexico State Audit Rule)

for all staff including the director of Cien Aguas International School. The business manager resolved these issues immediately after they were brought to their attention.

2014-003 Audit Committee- Noncompliance

Condition: The School does not have the required members on their audit committee.

Criteria: Per NMSA 22-8-12.3 each local school board shall appoint an audit committee that consists of two board members, one volunteer member who is a parent of a student attending the school district and one volunteer member who has experience in accounting or financial matters.

Effect: The school is not in compliance with the above noted statute.

Cause: The School has and continues to make attempts to solicit the required audit committee members but has not been successful in its recruiting efforts.

Recommendation: Continue to solicit members to serve on the audit committee and ensure adequate efforts are being made to effectively recruit audit committee members.

Management's Response: The governing body is actively searching for an audit committee member(s). As of October 28, 2015, the positions have been filled.

2015-001 Excess of Expenditures over Budget (Non-compliance in Accordance with the New Mexico State Audit Rule)

Condition: The School has the following expenditure functions in the operational fund where actual expenditures exceeded budgetary authority in the following amounts:

Operation and Maintenance of Plant	$ 12,543
Food Services Operations	1,533

Criteria: Per NMAC 6.20.2.9(A) every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12.2, NMSA 1978, and procedures for the department in preparing, submitting, maintaining and reporting budgetary information. Budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed.

Effect: The School's expenditures in the above functions exceeded the total approved budgeted expenditures.

Cause: Budgetary controls were not in place to adequately monitor and regularly compare budget to actual results. As a result, measures were not taken to avoid or minimize the amount that actual expenditures exceeded the approved budget for the School's operational fund.

CIEN AGUAS INTERNATIONAL SCHOOL (CONTINUED)

2015-001 Excess of Expenditures over Budget (Non-compliance in Accordance with the New Mexico State Audit Rule)(Continued)

Recommendation: Controls should be implemented to ensure that budgeted amounts are compared to actual on a regular basis and the budget effectively utilized for controlling expenses and managing cash flows.

Management's Response: A review of revenues and expenditures is now being conducted on a monthly basis by the School's business manager to avoid over spending in any fund or account. Budget adjustments and/or journal entries will be presented by the business manager and approved on an as needed basis to ensure that we are not spending over our budget limits. These procedures have already been implemented and management considers this finding resolved.

2015-002 Budgetary Conditions (Noncompliance in Accordance with the New Mexico State Audit Rule)
Condition: The School did not properly budget prior year cash carry-over in the SB-9 Capital Improvements Fund 31700. Prior year cash carry-over was $56,345 which was insufficient to cover the current year final budgeted deficit of $75,398.

Criteria: Per NMAC 6.20.2.9 (A) every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12.2, NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information.

Effect: The School is out of compliance with New Mexico state statute and the controls established by the use of budgets has been compromised, which would result in deficit fund balances and unnecessary usage of funds to cover the budgeted over expenditures.

Cause: The budget adjustment request did not consider prior year carry-over amounts for the SB-9 Capital Improvements fund and a budget adjustment request was not prepared and submitted to PED.

Recommendation: We recommend that the School establish a policy where the budget is reviewed at the end of each quarter and give consideration to deficits and ensure that designated cash is available to cover such overages.

Management's Response: The budget for fund 31700 was approved by PED during the initial budget process and which resulted in a deficit amount of $75,398. Per the 4th quarter cash report carryover funds amounted to $56,345. However, expenses for FY2015 were well under the actual budget amount of $175,048 so there was no adverse effect to the school's financial condition as a result of this. Effective immediately, monthly reviews of the budget by the business manager will now include a review to ensure that budgeted expenses do not exceed budgeted revenues and if they do a review to ensure adequate carryover funds to cover the budgeted deficit will be performed. Management considers this finding resolved.

CORAL COMMUNITY CHARTER SCHOOL

2014-001 Timely Deposits (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: During our cash receipts test work, we noted the School did not keep and maintain a cash receipt log that documents the date of cash receipts. We were unable to obtain sufficient audit evidence to confirm that deposits were made within the 24-hour required timeframe.

Criteria: NMAC 6.20.2 states that "money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day."

Effect: The School was not in compliance with State Statute. Additionally, the School has exposed itself to possible misappropriation of assets.

Cause: The School was not aware of this requirement in October 2014 when this cash receipt was not deposited timely. After working with the auditors during the June 30, 2014 audit, the business manager is now fully aware of this requirement and has addressed internal controls regarding deposits.

Recommendation: We recommend that the School utilize a cash receipt log to document the date and amount of receipt and create a procedure to ensure that all funds are properly deposited within 24 hours.

Management's Response: School personnel have been using the required receipt book to log and date the amount of cash received for the 2014-2015 school year. Cash and checks are deposited within the 24 hours. Personnel changes were made to insure procedures are being followed as required by the school's Internal Control Procedures. This should not result in a double finding due to the timing of the second audit. The business manager will be responsible for ensuring the school is in compliance and has resolved this issue immediately.

2014-002 (Internal Control Structure (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: During our internal control testwork over a sample of 26 cash disbursements and 4 travel reimbursements we noted an instance were the School paid for travel to the head administrator for $870 in July 2014. There was no purchase order for the payment of this amount. The School requires that purchase or services valued at more than $500, but less than $5,000 require the School employee or official to complete a Purchase Requisition and a Purchase Order for Purchasing Officer approval.

Criteria: Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that

CORAL COMMUNITY CHARTER SCHOOL (CONTINUED)

2014-002 (Internal Control Structure (Non-Compliance in Accordance with the New Mexico State Audit Rule)(Continued)

affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP."

Effect: Purchases could be made without proper approval and expenditures could be reported inaccurately to PED or misclassified in the improper fund, which could lead to funds being overspent and balances misstated.

Cause: The School did not follow internal control purchasing policies and procedures.

Recommendation: Ensure purchase orders are created prior to receiving goods and services.

Management's Response: The request for travel was made prior to the required out of town professional development per the Internal Control Procedures. At the time of the request it was anticipated that a purchase order was not required based on expenses. The invoice was consolidated unexpectedly at the time of checkout by the business. One staff member was now required to pay for all expenses based on the hotel's operational procedure and therefore should not result in a finding. The business manager will be responsible for ensuring the school is in compliance and has resolved this issue immediately.

2015-001 Payroll Transactions (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: During our testwork of payroll and payroll related reports, we noted 3 employees did not have a background check in their employee personnel file.

Criteria: Per State Regulation 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

Effect: The School could be exposed to unnecessary liability

Cause: The School had a change in management and had pending background checks that they never followed up on with the state.

CORAL COMMUNITY CHARTER SCHOOL (CONTINUED)

2015-001 Payroll Transactions (Non-Compliance in Accordance with the New Mexico State Audit Rule)(Continued)

Recommendation: We recommend that the School review requirements for required payroll forms and that a review of completeness be performed annually.

Management's Response: Personnel has been changed and The Human Resources Director is now responsible for reviewing the completion of all paperwork required for employment. The school's Human Resource Director will ensure they are in compliance and has resolved this issue as of October 2015.

2015-002 Budgetary Conditions – (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: The School had an expenditure function were actual expenditures exceeded budgetary authority by the following amount:

Operational (11000)	
Food Services Operations	$2,707

Criteria: Per NMAC 6.20.2.9 (A) every school district shall follow budget requirements stated in Section 22-8-5 through 22-8-12.2, NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information. Budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed.

Effect: The School expenditures in the above function exceeded the total approved budgeted expenditures by $2,707.
Cause: The business manager was aware of the budget overage in early June 2015. However, the business manager was instructed by a PED budget analyst to move the $2,707 from the Food Services fund (21000) to the Operational fund (11000). Due to this adjustment, the Food Services Operations line item (within fund 11000) became over budget. In addition, during June 2015 the system to make any further adjustments was down so the school could not make any further budget adjustment requests for this difference.

Recommendation: Continue to monitor and budgetary requirements and make sure any needed adjustments are made before year end.

Management's Response: The school compiled with all budgetary requirements for food services. The Business Manager created the budget for food service operations based on an estimate of revenue due to the fact that the school was in the first year of food service operations as directed by the school's PED Budget Analyst. The Budget Analyst required the monies be moved to the operational fund due to the fact that the budget line item was less than the expenditure. The school did have revenue to the cover the expenditure and therefore should not receive a finding as we were following the direction of the

CORAL COMMUNITY CHARTER SCHOOL (CONTINUED)

2015-002 Budgetary Conditions – (Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

PED Budget Analyst. The business manager will be responsible for ensuring the school is in compliance and has resolved this issue as of July 2015.

COTTONWOOD CLASSICAL PREPARATORY SCHOOL

2014-002 Compliance with Payroll Recordkeeping – (Compliance/other matter)

Condition: Out of 40 items tested for controls over payroll, the following exceptions were noted: one instance of an I-9 not on file and 7 instances of an incomplete Form I-9, Section 2, the employer review and verification were not complete. Management is progressing in regards to the implementation of a periodic review of its personnel files.

Criteria: Pursuant to 6.20.2.18 NMAC, I-9's, among other documents, are required to be included in personnel files.

Effect: Non-compliance with the aforementioned statute with the potential of hiring a non-eligible employee.

Cause: Improper oversight over the maintenance of personnel records.

Recommendation: We recommend a periodic re-inspection of personnel files to ensure continuous compliance with the statutory requirements.

Management's Response: All files will be reviewed by personnel assigned oversight responsibilities to ensure compliance.

2014-003 Violation of the New Mexico Anti-Donation Clause (Non-Compliance, Other Matters)

Condition: The School has entered into a Pledge and Covenant Agreement with a third party lender to secure debt of a legally separate entity (the Cottonwood Classical Foundation, a 501(c)(3) organization). Under the terms of the debt agreement, the lender required the School to pledge, transfer, and grant a security interest in and assign to the lender all funds, monies, grants or other distributions received by the School from the State of New Mexico.

Furthermore, the Pledge and Covenant Agreement identified that the School establish and maintain a depository account with the lender into which all education funding received by the School from the Public Education Department (including Equalization Guarantee Funding, Lease Reimbursement Program payments, and other special funds and federal pass-through funding constituting Adjusted Pledged Revenues) shall be deposited into. The lender is authorized to withdraw from this account upon default by the Cottonwood Classical Foundation.

COTTONWOOD CLASSICAL PREPARATORY SCHOOL (CONTINUED)

2014-003 Violation of the New Mexico Anti-Donation Clause (Non-Compliance, Other Matters)(Continued)

Criteria: Pursuant to Article IX, Section 14 of the New Mexico State Constitution (Anti-Donation Clause), neither the state nor any county, school district or municipality 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.

Effect: As the School has pledged revenues to secure debt payments on an obligation not owed by the School and is in violation of state statute. As a result of this violation, the debt could be considered invalid.

Cause: The School was unaware that the securitization of debt was a violation of state statute. Furthermore, the School did not seek approval by the Public Education Department to ensure compliance with New Mexico State Law.

Recommendation: We recommend that the School seek immediate assistance from the Public Education Department for guidance on communication between the Foundation and Lender to re-negotiate the terms of the debt agreement to exclude any future pledging by the School. It is further recommended that the revised and final debt agreement be reviewed and accepted by the Public Education Department General Counsel to ensure compliance with New Mexico State Law.

Management Response: We disagree with this finding. Two separate law firms within the State of New Mexico served as legal counsel for the transaction; one for the Cottonwood Classical Preparatory School (School) and one for the Cottonwood Classical Preparatory School Foundation (Foundation). Legal counsel was hired to ensure compliance with all applicable State of New Mexico laws and regulations.

Discussions with the school legal counsel note the following. The school did not pledge with the third party lender (bondholders) to secure the debt of the Foundation. The Pledge and Collateral Agreement's sole purpose is to assure that the School will pay its lease payments. The trustee bank is only allowed to withdraw funds for payment of the School's obligation under the lease and, only from sources eligible to be used for lease payments. There is no agreement for the School to pay any obligation of the Foundation.

In addition, the School did submit a lease purchase agreement to the NM Public Education Department (PED) for approval in compliance with department rules and regulations. The PED was provided with much of the information from this transaction. The School received a letter dated August 8, 2014 from Secretary Hanna Skandera approving the lease purchases agreement. Copied on the Secretary's letter were the PED Deputy Secretary, Finance & Operations; and, PED General Counsel. No discussion or questions were ever given to the School on the transaction during this process.

The School is willing to work with the NM PED, and the Foundation to address any compliance issues.

COTTONWOOD CLASSICAL PREPARATORY SCHOOL (CONTINUED)

2015-001 Controls Over Cash Disbursements – (Significant Deficiency)

Condition: In 2 out of 40 disbursements tested, the purchase order was dated after the invoice date, indicating that the purchase was not properly approved before it was made.

Criteria: Section NMAC 6.20.2.17 (A), requires that each school shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, states that "the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction."

Effect: Without proper approval, purchases for unauthorized goods or services may occur.

Cause: Processes and procedures in place were by-passed by those involved in the purchasing process.

Recommendation: We recommend the Charter develop and implement internal controls over purchasing procedures to ensure that all purchases are approved in accordance with Charter policies and procedures. Goods and/or services should not be ordered until all required authorizing signatures are obtained.

Management's Response: The school has internal controls in place over the purchasing process including the requirement for a purchase order prior to ordering of goods or services. The school will emphasize the importance of compliance of these requirements with staff.

2015-002 Travel and Per-Diem – (Noncompliance)

Condition: During fiscal year 2015, the CCPS used the IRS standard rate for mileage reimbursements. We reviewed one mileage reimbursement for an employee's private vehicle and the reimbursement was paid at the IRS standard rate.

Criteria: NMAC 2.42.11(b)(1) NMAC states that public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle

Effect: The CCPS is not in compliance with the Per Diem and Mileage Act and is overpaying employees for travel on behalf of the Charter.

Cause: The Charter contends that it is a Local Public Body and not a State Agency. As a Local Public Body, the Charter contends that it may reimburse mileage at the full amount authorized by the IRS. The New

COTTONWOOD CLASSICAL PREPARATORY SCHOOL (CONTINUED)

2015-002 Travel and Per-Diem – (Noncompliance)(Continued)

Mexico Public Education Department (PED) has indicated to the auditors that charter schools chartered under PED are a component unit of PED and should reimburse mileage at the rate approved for a State Agency.

Recommendation: The CCPS should follow the Per Diem and Mileage Act for local governments when paying for mileage reimbursements; reimburse mileage at 80% of the IRS standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management's Response: The school complied with the direction sent to it via memorandum from the Public Education Department. It should also be noted that prior auditors had given the school a finding for paying at the rated recommended in this finding. The PED and State of New Mexico are inconsistent with the determination of when the school is a state agency or other public body. For purposes of the Section 218 of the IRS, charter schools are considered other public bodies; for purposes of mileage reimbursement, the direction for the past 5 years was that schools were other public bodies but recently have determined schools are state agencies. The inconsistent direction given is the cause of this finding not the practices of the charter school.

2015-003 Timely Deposits – (Noncompliance)

Condition: During our cash receipt testing we noted that deposits were not being made within twenty-four (24) hours after being received. In two of fifteen items tested, we noted that $140.00 were not deposited in a timely manner.

Criteria: Per NMAC 6.20.2.14.C states that "money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day".

Effect: The Cottonwood Classical Preparatory School is not in compliance with the cash deposit compliance requirements as stated at NMAC 6.20.2.14.C.

Cause: The Cottonwood Classical Preparatory School lacks the appropriate controls over cash and check receipts.

Recommendation: We recommend that CCPS set policies and procedures in place to ensure that all cash receipts are deposited within 24 hours.

Management's Response: Procedures are in place to ensure timely deposit within the required timelines. Compliance with these procedures will be emphasized to staff collecting funds.

COTTONWOOD CLASSICAL PREPARATORY SCHOOL (CONTINUED)

2015-004 Expenditures Exceed Budget (Other Matter)

Condition: The Charter has expenditure functions where actual expenditures exceeded budgetary authority:

Fund	Excess of Expenditures over Appropriations
Student Transportation (13000)	
Student Transportation	$ (42,535)

Criteria: According to 6.20.2.9 NMAC, budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed.

Effect: The Charter is non-compliant with State Law.

Cause: A budget adjustment request was not submitted to account for additional expenditures incurred for Student Transportation.

Recommendation: We recommend that CCPS should establish a policy of budgetary review at year-end to make the necessary budgetary adjustments.

Management's Response: The school has a budgetary review process. A Budget Adjustment Request, BAR, (502-000-1415-026-I) was submitted and approved by the Program Manager, Fiscal Analyst and Fiscal Supervisor and but disapproved by the Fiscal Director. The school did not received notice of an increase in student transportation funding but when reconciling the bank to the general ledger noticed an additional deposit of $46,243. Researching the direct wire from the state disclosed the additional award. The Student Transportation Department at PED was called and with their approval a BAR was submitted. The Director used the arbitrary date established by PED for BAR entries as the reason for disapproval not taking the circumstances into consideration. In addition, the PED did not allow the school to budget carryover balances from FY14 without a completed audit which had been delayed by the PED. With completion of this audit, the school will submit BARs to budget all funds available. The school will also work with the PED Student Transportation Department to ensure it is notified of allocations/awards.

CREATIVE EDUCATION PREPARATORY INSTITUTE

2009-024- PED Cash Report– (Material Weakness and Compliance)

Condition: During our test work, it was noted that beginning balances do not agree to the prior year audited financial statements. Revenues do not tie to the general ledger. Expenditures do not tie to the general ledger. Ending cash balances do not tie to the general ledger.

CREATIVE EDUCATION PREPARATORY INSTITUTE (CONTINUED)

2009-024- PED Cash Report– (Material Weakness and Compliance)(Continued)

The June 30, 2015 bank reconciliation shows outstanding items of $311,910.08. The PED cash report at June 30, 2015 shows outstanding items of $64,122.19. The variance is $247,787.89.

Criteria: According to State regulation 6.20.2.11 (B) (6), NMAC and Regulation SBE-6, the reports sent to the New Mexico Public Education Department (PED) must agree to the general ledger. Per the New Mexico State Audit Rule, the audit report of each school district shall include a cash reconciliation schedule which reconciled the cash balance as of the end of the previous fiscal year to the cash balance at the end of the current fiscal year.

Effect: The School's reporting to PED is not correct and PED does not have an accurate reflection of the schools cash balances.

Cause: The School does not have a process in place to ensure that bank accounts are being properly reconciled to the general ledger and to the PED cash report.

Recommendation: The School should put in place procedures to ensure that bank reconciliations reconcile to the general ledger and the PED cash report.

Management's Response: The School will work closely with PED to correct the variance and to make sure that reports are accurate. The School's Finance Committee will review the reports prior to being submitted. The School has contracted with a public accounting firm to help reconcile cash and provide training to school personnel. The Business Manager is responsible for correcting this finding. The School anticipates having this corrected by the end of January 2016.

2011-001- Internal Control Structure – (Material Weakness and Compliance)

Condition: During our fieldwork we noted the following:

- The School posted journal entries to fund balance during the fiscal year. The School was not able to provide supporting documentation for these fund balance journal entries. The School was also unable to provide support for other journal entries made during the fiscal year. There is also no indication that journal entries are being reviewed and approved by someone other than the preparer of the journal entries.
- The School was unable to provide documentation on how accrued liabilities were calculated at June 30, 2015.
- In a sample of sixty cash disbursements, there were eight instances in where the school was not able to locate all the supporting documentation. The amounts of these cash disbursements were:

CREATIVE EDUCATION PREPARATORY INSTITUTE (CONTINUED)

2011-001- Internal Control Structure – Repeated and Modified – (Material Weakness and Compliance)(Continued)

$11,050.50, $1,849.84, $1,790.19, $1,210.59, $1,206.25, $801.09, $590.00 and $256.69. The checks for $1,210.59 and $801.09 were payable to a credit card company. The checks for $1,849.84 and $1,790.19 were payable to the school's Business Manager.

- The employer's share of Retiree Health Care expenditures did not agree to the general ledger. We noted a difference of $443.
- The employer's share of FICA and Medicare contributions on the Forms 941 did not agree to the general ledger. We noted a difference of $1,753.

Criteria: Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP." Per NMAC 6.20.2.14 (F).1 Cash Control Standards, "posting errors are not to be erased, crossed out, or in any other manner eliminated from the ledger. A separate entry is required to incorporate necessary corrections. Cross-referencing of a correcting entry to the original error should be inserted under the "description" column of the ledger."

Effect: Financial statements could be misstated.

Cause: The school does not have an effective set of procedures in place to review documentation being generated for financial related matters.

Recommendation: All journal entries should be supported by the documentation needed to make those entries. Journal entries should be reviewed and approved by someone other than the preparer. We recommend the School develop and implement internal controls over recording expenditures to the proper general ledger account. Expenditures submitted for reimbursement should be recorded to the corresponding fund and function related to the expense. The Forms 941 and Retiree Health Care reports should be reconciled to the general ledger prior to them being filed.

Management's Response: The School has contracted with a public accounting firm to provide training to school personnel. The school will work with additional business support to ensure that the school is preparing journal entries accurately and that support is attached. Journal entries will be reviewed by the Finance Committee prior to being posted. The school will review, revise & implement policies related to the internal controls including controls related to recording expenditures to the proper general ledger account. The school will also develop and implement policy over the review of

CREATIVE EDUCATION PREPARATORY INSTITUTE (CONTINUED)

2011-001- Internal Control Structure – (Material Weakness and Compliance)(Continued)

monthly, quarterly & annual reports prior to them being submitted. The Business Manager is responsible for correcting this finding. The School anticipates having this corrected by the end of January 2016

2011-002- Budgetary Conditions – (Compliance)

Condition: The School had funds with expenditure functions where actual expenditures exceeded budgetary authority:

Operational Fund		
	Instruction	$42,547
Dual Credit Instructional Materials Fund		
	Instruction	$1,207

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22- 8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts the function is the legal level of control.

Effect: The school is out of compliance with State Law and the control established by the use of budgets has been compromised.

Cause: A budget adjustment request was never submitted to account for the additional expenditures incurred for the Operational Fund and the Dual Credit Instructional Materials Fund.

Recommendation: The School should establish a policy of budgetary review at year-end and make the necessary budgetary adjustments.

Management's Response: The School along with the Finance Committee will establish a policy of budgetary review at the end of each Quarter and check that the necessary budgetary adjustments have been made. The Business Manager is responsible for correcting this finding. Procedures should be in place by December 31, 2015.

2011-03- Bank Accounts– (Material Weakness)

Condition: During our test work over cash we noted the following:

- The bank reconciliation for June 30, 2015 reports $311,910.08 in outstanding items. This amount includes $234,937.97 of items that have been outstanding for more than one year.

CREATIVE EDUCATION PREPARATORY INSTITUTE (CONTINUED)

2011-03- Bank Accounts– (Material Weakness)(Continued)

- Bank reconciliations for the entire fiscal year were examined. It was noted that the "Expected GL" and "Actual GL" did not match in any month. The smallest variance was $64,292.42, the largest variance was $80,366.23, and the average variance was $72,856.70.
- There was no evidence of the bank reconciliations being reviewed.

Criteria: All bank accounts should be reconciled on a monthly basis. Outstanding items should be investigated and the general ledger should be adjusted for any stale dated checks. Reconciled bank statements should be reviewed by someone other than the preparer for accuracy.

Effect: It cannot be determined if cash balances are correct at June 30, 2015.

Cause: There is a lack of understanding over how the bank reconciliation report is generated and how to clear items that have cleared. This has led to erroneously identified outstanding items.

Recommendation: We recommend that School personnel obtain additional training in how to reconcile the cash accounts using the APTAfund accounting software.

Management's Response: The School has contracted with a public accounting firm to help reconcile cash and provide training to school personnel. The Business Manager is responsible for correcting this finding. The School anticipates having this corrected by the end of January 2016.

2012-003- ERB Contributions– (Compliance)

Condition: During our fieldwork we noted that the employer's share of ERB expenditures reported did not agree to the general ledger. We noted a difference of $5,302.

Criteria: Per the ERB rules, the electronic reports, consisting of salaries and contributions and demographic information, must be sent by the 15th of the month following the month covered by the Report. The form must be faxed the same day that the contributions are electronically submitted, no later than the 15th of the month following the month covered by the Report. The amounts reported on the ERB forms should reconcile with the general ledger.

Effect: It is unclear if the correct amounts were contributed to the Educational Retirement Board.

Cause: The contribution reports are not being reconciled to the general ledger.

Recommendation: The School establish procedures to reconcile the amounts on the ERB contribution reports and the general ledger.

Management's Response: The school will develop and implement policy over the review of

CREATIVE EDUCATION PREPARATORY INSTITUTE (CONTINUED)

2012-003- ERB Contributions– (Compliance)(Continued)

monthly, quarterly & annual reports prior to them being submitted. Reports will be reviewed by the Finance Committee prior to being submitted. The Business Manager is responsible for addressing this finding. Procedures should be in place by December 31, 2015.

2013-002- Cash Management– (Material Weakness)

Condition: During our testing of revenue we noted the following items:

- A reimbursement in the amount of $56,727.59 for Fund 24162 Title I School Improvement was posted to Fund 24120 IDEA-B Risk Pool on the general ledger. An audit adjustment was required to correct this.
- A reimbursement of $7,578.27 for Fund 24101 Title I IASA was properly posted to fund 24101, however, the same reimbursement was also posted on the general ledger to Fund 14000 Instructional Materials. An audit adjustment was required to correct this.

Criteria: According to *Part 3 of the A-133 Compliance Supplement,* "When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government." Per *OMB Circular A-110, _.21 Subpart C- Post-Award Requirements*, "Recipients' financial management systems shall provide for the following:

- Accurate, current and complete disclosure of the financial results of each federally sponsored project or program in accordance with the reporting requirements set forth in Section_.52Records that identify adequately the source and application of funds for federally sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
- Effective control over and accountability for all funds, property and other assets.
- Comparison of outlays with budget amounts for each award.
- Procedures for determining the reasonableness and allowability of costs in accordance with the provisions of the applicable Federal Cost Principles and the terms and conditions of the award.
- Accounting records including cost accounting records that are supported by source documentation."

Effect: The Schools ability to effectively manage its operations in order to meet the compliance requirement of grants was impaired. The risk that errors or fraud could go undetected was significantly increased. Double booking a revenue item misstates the financial statements and will cause cash not to properly reconcile.

Cause: The school did not reconcile grant funds at year-end to amounts budgeted.

CREATIVE EDUCATION PREPARATORY INSTITUTE (CONTINUED)

2013-002- Cash Management– (Material Weakness)(Continued)

Recommendation: We recommend the school implement policies to ensure that all reimbursement requests have the correct expenses in the correct funds and that all reimbursed funds are properly reconciled.

Management's Response: The school will work with additional business support to ensure that the school is preparing reimbursements accurately and that support is attached. Request for Reimbursements will be reviewed by the Finance Committee prior to being entered into OBMS. The school will review, revise & implement policies related to the RFRs including controls related to recording expenditures to the proper general ledger account. The school will also develop and implement policy over the review of RFRs prior to them being submitted. The Business Manager will be responsible for correcting this by December 31, 2015.

2014-001 Lack of Segregation of Duties – (Material Weakness)

Condition: The School's Business Manager, records payments on the general ledger and prepares the monthly bank reconciliation. For checks under $1,000 the Business Manager can sign checks without another check signer. We also noted in a sample of twenty cancelled checks chosen for testing that the Business Manager signed three checks ($15,730.15, $7,391.60, and $4,593.00) without another authorized signer on the checks.

Criteria: NMAC 6.20.2.12 requires that an organizational structure be in place which separates incompatible activities to preclude control by any individual.

Effect: The potential for misappropriation of funds is present when one person is responsible for all phases of an accounting process.

Cause: The School operates with a limited staff size.

Recommendation: The School should implement a system in where accounting activities are separated to the extent possible with its small staff size. The Business Manager should not be an authorized signer on checking accounts.

Management's Response: The School will develop and implement financial policies and procedures that will ensure segregation of duties. The School has already added two board members as signers on the School's checking account. The Business Manager will ensure that these policies are put in place by December 31, 2015.

CREATIVE EDUCATION PREPARATORY INSTITUTE (CONTINUED)

2014-002 Retiree Health Care Contributions– (Compliance)

Condition: During our fieldwork we noted that for the months of October 2014 and May 2015 the monthly contributions were made after the tenth day of the subsequent month.

Criteria: Monthly contributions to the Retiree Health Care (RHC) are required to be remitted no later than the 10th of the following month per NMSA 1978 10-7C-15.

Effect: The School is not in compliance with New Mexico State Statutes in regards to Retiree Health Contributions being submitted timely.

Cause: The reports were not properly reviewed to ensure they were submitted on time.

Recommendation: We recommend that school management implement an internal control system to insure that Retiree Health Contributions are processed and paid in a timely manner.

Management's Response: The School will develop and implement policy over the review of monthly, quarterly & annual reports prior to them being submitted. Reports will be reviewed by the Finance Committee prior to being submitted. The Business Manager will ensure that procedures are in place by December 31, 2015 to correct this.

2014-003 Purchase Orders– (Significant Deficiency and Compliance)

Condition: During our testing of sixty cash disbursements we noted the following:

- There were seven instances ($595.00, $135.42, $2,435.67, $574.73, $569.25, $330.00 and $478.08) in which the Purchase Order was prepared subsequent to the vendor's invoice date.
- One vendor's invoice in the amount of $856.00 had the invoice date "whited out." It could not be determined if the Purchase Order was prepared prior to the purchase.

Criteria: Section NMAC 6.20.2.17 (A), requires that each school shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, states that "the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction."

Effect: Not being in compliance with state purchasing requirements places the School at risk for fraud or misuse of public funds.

Cause: School personnel did not follow established procurement policies of the School.

CREATIVE EDUCATION PREPARATORY INSTITUTE (CONTINUED)

2014-003 Purchase Orders– (Significant Deficiency and Compliance)(Continued)

Recommendation: All School personnel should be reminded that initiation of a purchase order is not sufficient for ordering; that an approved Purchase Order is required per School and State guidelines.

Management's Response: The School will set up training for all personnel so that everyone understands the School and State guidelines regarding purchasing. The Business Manager will ensure that this training occurs by December 31, 2015.

2014-005 Mileage Reimbursements– (Compliance)

Condition: For the year ended June 30, 2015, it was noted that the School reimbursed employees for mileage at rates of fifty six cents per mile and fifty one cents per mile. Both rates are above the approved rates.

Criteria: NMAC 2.42.2.11 (B) (1) states public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the official discharge of official duties as follows: "unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle."

Effect: The School is not in compliance with New Mexico State Statutes in regards to mileage reimbursement.

Cause: The School personnel were not familiar with the approved rate for mileage reimbursement.

Recommendation: The School should reimburse mileage at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management's Response: The School was unaware that it could only pay 80% of the IRS mileage rate set January 1 of the previous year. The school will update its policies to reflect this corrected amount. The Business Manager will ensure that this is corrected by December 31, 2015.

2015-001 Trial Balance – (Material Weakness)

Condition: For the year ended June 30, 2015, it was noted that not all expenditure amounts on the Trial Balance provided to the auditors agree to the "Approved Public School Operating Budget- Actual Expenditure Rollup Report" on file with the New Mexico Public Education Department.

CREATIVE EDUCATION PREPARATORY INSTITUTE (CONTINUED)

2015-001 Trial Balance – (Material Weakness)(Continued)

Criteria: Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.

Effect: The New Mexico Public Education Department may not have a proper financial reporting of the School.

Cause: School personnel were aware of account balances that required correcting. School personnel worked on these variances after submitting final numbers to the New Mexico Public Education Department.

Recommendation: The School should reconcile its final General Ledger and Trial Balance by the required New Mexico Public Education Department due date. Trial Balances provided on future audits should tie to the amounts reported to the New Mexico Public Education Department.

Management's Response: The school will work with additional business support to ensure that the school's final trial balance is properly reconciled for fiscal year 2016. The Business Manager will ensure that New Mexico Public Education Department deadlines are properly met with the appropriate information.

DREAM DINE CHARTER SCHOOL

2015-001 Payroll and Personnel Files – (Material Weakness and Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During our internal control testwork over a sample of twenty-one payroll transactions we noted the following:

- Two of the employees tested had incomplete I-9s on file.
- Two employees did not have background checks on file.
- One employee background check was not submitted by the school in a timely manner.
- We noted four employees for which an employment contract was not available for our review. Consequently, we were unable to determine what the approved compensation was.
- We noted fifteen instances where Social Security and Medicare taxes were calculated on net pay but should have been calculated on gross pay.

DREAM DINE CHARTER SCHOOL (CONTINUED)

2015-001 Payroll and Personnel Files – (Material Weakness and Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

- We noted an instance when an employee's NMPSIA withholding were calculated using an incorrect rate.

Criteria: NMAC 6.20.2.18 requires various employee records and documentation to be maintained and available for inspection, including personnel/payroll action forms that properly document employee compensation. Additionally, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP.

Pursuant to 22-10.3.3 NMSA 1978, policies and procedures should be developed requiring background checks on an applicant who has been offered employment with unsupervised access to students at a charter school.
Lastly, a Section 125 plan is the only means by which an employer can offer employees a choice between taxable and nontaxable benefits.

Effect: The School is not in compliance with its payroll policies and procedures and NMAC 6.20.2.18 and is not in compliance with 22-10-.3.3 NMSA 1978, as it failed to obtain required background checks. Also, the School is not in compliance with Internal Revenue Service payroll tax requirements.

Cause: The School's policies and procedures are not being enforced. Payroll taxes are being withheld as if a Section 125 compliance cafeteria plan is in place. However, no such formal determination has been made.

Recommendation: Personnel files should be periodically reviewed to ensure all required personnel file documents have been obtained and are complete and accurate, including benefit election forms and compensation documentation. Internal controls should be implemented to ensure taxes and withholdings are correctly calculated. Policies and procedures governing background checks should be strictly enforced.

Management's Response: Dream Dine' Charter School was in their first year of operations. New procedures are being implemented to ensure that all files are reviewed and that the checklist of documents is included in the file. A Section 125 Plan will also be put in place for the school. The business manager and director are responsible for making sure these procedures are in place and they will be put into place immediately. The review of the files will be an ongoing process.

DREAM DINE CHARTER SCHOOL (CONTINUED)

2015-002 Internal Control Structure – (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During our internal control test work over twenty-five disbursements, we noted one disbursement was paid for an amount greater than the invoice.

Criteria: Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP."

Effect: The School over paid for goods.

Cause: The check was made out in the amount of the purchase order and not based off of an actual invoice. The actual cost of the goods ended up being less than the amount on the PO.

Recommendation: Ensure that checks agree to invoices and are adequately reviewed prior to disbursements being made to vendors.

Management's Response: Dream Dine' Charter School was in their first year of operations. New procedures are being implemented to ensure that all purchases go through a more stringent process of review prior to making payment. If purchases are picked up after a quote was prepared for payment a review of the receipt will be reviewed internally to make sure that the purchase agreed to the quote. The business manager and director are responsible for making sure these procedures are in place and they will be put into place immediately. Training of these procedures will be ongoing.

EAST MOUNTAIN HIGH SCHOOL

2014-002 Purchase Orders Subsequent to Invoice – (Significant Deficiency)

Condition: During our testing of sixty cash disbursements, there were five instances ($2,025, $1,995, $2,875, $2,093 and $10,764) in which the purchase order was prepared subsequent to the vendor's invoice date. No progress has been made in the current year.

Criteria: Section NMAC 6.20.2.17 (A), requires that each school shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state

EAST MOUNTAIN HIGH SCHOOL (CONTINUED)

2014-002 Purchase Orders Subsequent to Invoice – (Significant Deficiency)(Continued)

and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, states that "the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction."

Effect: Not being in compliance with state purchasing requirements places the School at risk for fraud or misuse of public funds.

Cause: School personnel did not follow established procurement policies of the School.

Recommendation: All School personnel should be reminded that initiation of a purchase order is not sufficient for ordering; that an approved purchase order is required per School and State guidelines.

Management Response: We will continue to hold in-service trainings for staff on the proper steps to follow for purchasing. The Business Manager will be responsible for coordinating the training. Training will be completed by December 31st.

2014-003 Mileage Reimbursements –(Compliance)

Condition: For the year ended June 30, 2015, it was noted that East Mountain High School reimbursed employees for mileage at a rate of fifty six cents per mile. No progress has been made in the current year.

Criteria: NMAC 2.42.2.11 (B) (1) states public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the official discharge of official duties as follows: "unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle."

Effect: The School is not in compliance with New Mexico State Statutes in regards to mileage reimbursement.

Cause: The School contends that it is a Local Public Body and not a State Agency. As a Local Public Body, the school contends that it may reimburse mileage at the full amount authorized by the IRS. The New Mexico Public Education Department (PED) has indicated to the auditors that charter schools chartered under PED are a component unit of PED and should reimburse mileage at the rate approved for a State Agency.

EAST MOUNTAIN HIGH SCHOOL (CONTINUED)

2014-003 Mileage Reimbursements –(Compliance)(Continued)

Recommendation: The School should reimburse mileage at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management Response: We will follow the directions of our Authorizer in paying miles traveled in a privately owned vehicle. The Business Manager hopes to have a determination by December 31st.

2015-001 Budget Adjustment Requests (BAR) (Compliance)

Condition: We noted the School budgeted more cash carryover of $18,456 than the School had available for the Operational Fund.

Criteria: In accordance with Public Education Department (PED) requirements and 6- 6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR's are included in final budget amounts reported to Schools PED report. Per NMAC 6.20.2.10.B, School districts shall submit budget adjustment requests for the operating budget to the department for budget increases, budget decreases, transfers between functional categories, and transfers from the emergency reserve account. Expenditures shall not be made by the school district until budget authority has been established and approval received from the department. Budget adjustments shall not be incorporated into the school district's accounting system until approval is received by the department.

Effect: The school is not in compliance with State Statutes.

Cause: The budget was not being properly monitored.

Recommendation: The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

Management Response: We agree that we should have submitted a decrease BAR in the amount of $18,456. In the future we will be more diligent to make sure BARs are submitted when fund balance(s) is adjusted. In fiscal year 2016, the Business Manager will post the necessary BARs by the PED deadline dates, if needed.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

ESTANCIA VALLEY CLASSICAL ACADEMY

2015-001 Excess of Expenditures over Budget (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: The School had an expenditure function where actual expenditures exceeded budgetary authority:

Operational Fund
Instruction - $3,394

Criteria: Per NMAC 6.20.2.9 (A) every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12.2 NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information. Budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed.

Effect: The School is not in compliance with NMAC 6.20.2.9 and the School's actual expenditures in the above function exceeded the total approved budget expenditures, which could result in deficit fund balances.

Cause: Budgetary controls were not in place to adequately monitor and regularly compare budget to actual results. As a result, measures were not taken to avoid or minimize the amount that actual expenditures exceeded the approved budget for the above fund.

Recommendation: Budget adjustment requests should be presented and approved before expending funds in excess of the budget. Controls should be implemented to ensure that budget amounts are compared to actual on a regular basis and the budget effectively utilized for controlling expenses and managing cash flow.

Management's Response: The Business Manager along with the finance committee will review expenditure line items on a monthly basis. All BARs will be submitted on a monthly basis as required to ensure that expenditure line items do not exceed budget authority. This process will be implemented immediately.

2015-002 Internal Control Structure over Payroll (Non-Compliance in Accordance with the New Mexico State Audit Rule and Significant Deficiency)

Condition: During our review of twenty-five payroll disbursements we noted the following:

- Four instances where employee pre-tax payroll deductions were not deducted prior to the assessment of Medicare taxes.
- One instance where an employee elected and was receiving family dental coverage; however, the employee was charged at the two-party rate. This resulted in the employee being under-charged for dental insurance. The employee should have been charged $2.83 per pay period however the employee was charged $2.08 per pay period.

ESTANCIA VALLEY CLASSICAL ACADEMY (CONTINUED)

2015-002 Internal Control Structure over Payroll (Non-Compliance in Accordance with the New Mexico State Audit Rule and Significant Deficiency)(Continued)

- Two instances where an employee exempt from the Educational Retirement Act was incorrectly assessed ERB contributions. For the payroll periods tested, each employee was assessed $13.80 and $23.71, respectively.

Criteria: NMAC 6.20.2.12 requires every school to conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer programmed controls, management review of reports that summarize the detail of account balances and user review of computer generated reports. The School is also required to maintain an internal control structure to demonstrate the ability to record, process, summarize and report financial data. In addition, the internal control structure shall demonstrate that the school identifies applicable law and regulations, and that procedures are designed to provide reasonable assurance that the school complies with those laws and regulations.

Effect: The School is not in compliance with NMAC 6.20.2.12. In addition, the School and the employees are not paying the correct amount of taxes and benefits.

Cause: Internal controls are not in place to ensure deductions are properly entered into the payroll system.

Recommendation: Implement internal controls to ensure deductions are properly entered into the payroll system. A review should be performed for all employees to ensure deductions are properly calculated and entered.

Management's Response: All payroll deductions are currently under individual review and will be corrected immediately. All employee deductions that were over-deducted will be reimbursed to the employee no later than November 30, 2015. All IRS, ERB, NMPSIA and Legacy deductions will be properly reviewed and reconciled on a monthly basis. The business manager will be responsible for implementing these changes.

EXPLORE ACADEMY

2015-001 Lack of Support For Payroll Salary Calculations (Significant Deficiency)

Condition: Through our payroll testwork we noted the following:

- We were unable to determine how the pay was calculated for three out the 25 payroll transactions tested.
- Management was unable to provide support for two out of 25 raises granted to employees.
- Support for raises could not be provided for one out of the 16 payroll registers tested.

EXPLORE ACADEMY (CONTINUED)

2015-001 Lack Of Support For Payroll Salary Calculations (Significant Deficiency)(Continued)

- Explore Academy stated they adopted and utilized the Rio Rancho Public School's Salary Schedule; however, the approved board minutes stated Albuquerque Public School's Salary Schedule was to be adopted.

Criteria: 6.20.2.18 NMAC states, schools must maintain "strict internal controls, supervision, and financial accounting in accordance with GAAP" over its payroll process. Furthermore, schools must have personnel/payroll action forms and pay or position change notices available for inspection.

Effect: Explore Academy's employees could be under or over paid. Furthermore, incorrect salary payments could go unnoticed.

Cause: The proper level of supporting documentation was not maintained and there was breakdown in communication lines.

Recommendation: Explore Academy's Business Manager should maintain all support for pay raises and pay rate calculations. Explore Academy's Principal should review and approve all payroll registers. Additionally, Explore Academy should ensure its salary schedule is in line with the board adopted schedules.

Management Response: Additional controls of maintaining all supporting documentation of contracts and any contract changes have been established. The administrative staff is currently looking for the minutes reflecting the adoption of the RRPS Salary Schedule.

2015-002 Review and Approval of Purchases (Other Matter)

Condition: During our cash disbursement testwork we noted four out of 25 items totaling $23,415 in which the purchase order and purchase requisition were created and approved after the purchase had been made. One of these four purchases in the amount of $21,791 related to a prior purchase order that had been created prior to the fiscal year; however, the approved purchase order could not be provided by management.

Criteria: Explore Academy's Internal Control Policies/Procedures in effect for School Year 2014-15 states in the Internal Controls – Purchases Section that a purchase cannot be made without an approved purchase order.

Effect: Unbudgeted, unnecessary, or unwanted purchases could be made.

Cause: There was a breakdown in the internal controls surrounding the cash disbursements process.

EXPLORE ACADEMY (CONTINUED)

2015-002 Review and Approval Of Purchases (Other Matter)(Continued)

Recommendation: Purchase requisitions and purchase orders should be created and approved before any purchases are made.

Management Response: As stated in the criteria, explore academy has proper controls in place. These controls have been re-emphasized to staff to ensure compliance throughout the year.

2015-003 Expenditures Exceed Budget (Other Matter)

Condition: The Explore Academy has expenditures where actual expenditures exceeded budgetary authority:

Fund	Excess of Expenditures over Appropriations
Operational 11000	
Operation of Non-instructional services	$ (17,497)

Criteria: According to 6.20.2.9 NMAC, budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed.

Effect: The Explore Academy is non-compliant with State law.

Cause: A budget adjustment request was not submitted to account for additional expenditures incurred for the Operational fund.

Recommendation: We recommend that the Explore Academy establish a policy of budgetary review at year-end to make the necessary budgetary adjustments.

Management Response: The finance committee and entire governing council have been made aware of budgetary issues, and will continue to be advised on such issues when they arise to ensure full compliance.

GILBERT L. SENA

2014-001 Supporting Documentation – (Significant Deficiency)

Condition: The supporting documentation for two ($32 & $43) of the five travel disbursements selected for testing could not be located by School personnel. No progress has been made in the current year.

Criteria: Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall

GILBERT L. SENA (CONTINUED)

2014-001 Supporting Documentation – (Significant Deficiency)(Continued)

establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP."

Effect: The School could be paying for expenditures that were not properly authorized.

Cause: The School has had three Business Managers in the period between June 30, 2014 and the time that the audit was conducted. During the transitions between Business Managers, documentation was not properly maintained.

Recommendation: The School should put in place internal controls so that documentation for all financial activity is available for examination both by school personnel and external parties such as the auditors.

Management's Response: Gilbert L. Sena Charter High School currently has an established policy for procurement and the maintenance for the records from procurement. Gilbert L. Sena Charter High School experienced a fluctuation in its listed Business Manager during FY2015. Management is confident that given stability in the business office that crucial backup documents have been maintained and accounted for properly. The Business Manager will ensure that internal controls are in place to correct this finding by December 31, 2015.

2015-001 Penalties/Fees - (Compliance)

Condition: During our test work we noted the School incurred penalties of $4,786 for late payroll tax deposits and $99.93 for late payment of a vendor invoice.

Criteria: All funds allocated to the School are to be spent on allowable expenditures in accordance with NMAC 6.20.2. Per OMB Circular A-87, fines, penalties, damages or other settlements resulting from violations of, or failure of the governmental unit to comply with, Federal, State, local or Indian tribal laws and regulations are unallowable. Article IX, section 14, of the Anti-Donation Clause states that public funds may not be expended for the benefit of someone other than the intended recipients.

Effect: These penalties are unnecessary costs paid by the School. The school could be misusing funds intended for the benefit of the students.

GILBERT L. SENA (CONTINUED)

2015-001 Penalties/Fees - (Compliance)(Continued)

Cause: Due dates for payroll taxes and vendor invoices were not being properly monitored.

Recommendation: The School should establish a policy to monitor reports and payments to ensure submission is timely and no further penalties are incurred.

Management's Response: Gilbert L. Sena Charter High School has implemented a process to review all due dates for payroll taxes and vendor invoices to ensure that required amounts are being paid and processed correctly. The Business Manager will ensure that internal controls are in place to correct this finding by December 31, 2015.

2015-002- Budget Adjustment Requests (BAR) (Compliance)

Condition: We noted the School budgeted more cash carryover of $4,478 than the School had available for the SB-9 Capital Improvements Fund.

Criteria: In accordance with Public Education Department (PED) requirements and 6- 6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR's are included in final budget amounts reported to Schools PED report. Per NMAC 6.20.2.10.B, School districts shall submit budget adjustment requests for the operating budget to the department for budget increases, budget decreases, transfers between functional categories, and transfers from the emergency reserve account. Expenditures shall not be made by the school district until budget authority has been established and approval received from the department. Budget adjustments shall not be incorporated into the school district's accounting system until approval is received by the department.

Effect: The school is not in compliance with State Statutes.

Cause: The budget was not being properly monitored.

Recommendation: The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

Management's Response: The audited financials from the prior year have still yet to be released by the Office of the State Auditor. These financials normally serve as our backup to the BAR submission to the PED. Without the audit being released we have no acceptable backup to provide to PED. The Business Manager will be responsible for posting the necessary BAR for cash carryover with PED. This will be completed by December 31st.

GILBERT L. SENA (CONTINUED)

2015-003 Purchase Orders Subsequent to Invoice – (Significant Deficiency)

Condition: During our testing of sixty cash disbursements we noted there were fourteen instances (totaling $50,597.16) in which the Purchase Order was prepared subsequent to the vendor's invoice date.

Criteria: Section NMAC 6.20.2.17 (A), requires that each school shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, states that "the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction."

Effect: Not being in compliance with state purchasing requirements places the School at risk for fraud or misuse of public funds.

Cause: School personnel did not follow established procurement policies of the School.

Recommendation: All School personnel should be reminded that initiation of a purchase order is not sufficient for ordering; that an approved Purchase Order is required per School and State guidelines.

Management's Response: Gilbert L. Sena Charter High School has internal control procedures established. These procedures will be emphasized with staff. An approved Purchase Order will be in place before placing an order with a vendor. The Business Manager will ensure that internal controls are in place to correct this finding by December 31, 2015.

2015-004 Check Signing – (Compliance)

Condition: During our testing of sixty cash disbursements, there was one instance in the amount of $430.18 where a check only had one authorized signer.

Criteria: Section NMAC 6.20.2.17 (A), requires that each school shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. The School has established an internal policy which requires all checks to be signed by two authorized check signers.

Effect: The School was not in compliance with its own internal control procedures. Non-compliance with established internal controls places the School at risk for fraud or misuse of public funds.

GILBERT L. SENA (CONTINUED)

2015-004 Check Signing – (Compliance)(Continued)

Cause: School personnel did not follow established procurement policies of the School.

Recommendation: The School should follow its own internal controls and ensure that all checks be signed by two authorized check signers.

Management's Response: Gilbert L. Sena Charter High School has adopted policies and procedures that currently address this finding. These policies and procedures will be reviewed and reinforced with the appropriate personnel. The Business Manager will ensure that internal controls are in place to correct this finding by December 31, 2015.

THE GREAT ACADEMY

2015-001 Mileage Reimbursements – (Compliance)

Condition: For the year ended June 30, 2015, it was noted that the School reimbursed a board member for mileage at a rate of fifty six cents per mile. The over-reimbursement totaled $22.80.

Criteria: NMAC 2.42.2.11 (B) (1) states public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the official discharge of official duties as follows: "unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle."

Effect: The School is not in compliance with New Mexico State Statutes in regards to mileage reimbursement.

Cause: The School contends that it is a Local Public Body and not a State Agency. As a Local Public Body, the school contends that it may reimburse mileage at the full amount authorized by the IRS. The New Mexico Public Education Department (PED) has indicated to the auditors that charter schools chartered under PED are a component unit of PED and should reimburse mileage at the rate approved for a State Agency.

Recommendation: The School should reimburse mileage at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management's Response: During fiscal year 2014-2015, there was only one mileage reimbursement for a board member to attend a training. The rate was at fifty one cents per mile not fifty six cents per mile. The school is now aware of this mileage rate change and will update our mileage reimbursement rates

THE GREAT ACADEMY (CONTINUED)

2015-001 Mileage Reimbursements – (Compliance)(Continued)

to 80% of the IRS standard mileage rate. The business manager is responsible for this and the mileage reimbursements will be updated by December 31st.

2015-002 Budgetary Conditions – (Compliance)

Condition: The School also budgeted in excess of beginning cash available.

Operational Fund 11000	$133,292

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22- 8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts the function is the legal level of control.

Effect: The school is out of compliance with State Law and the control established by the use of budgets has been compromised.

Cause: A budget adjustment request was not submitted for expenditures in excess of beginning cash in the Operational Fund.

Recommendation: The School should establish a policy of budgetary review at year-end and make the necessary budgetary adjustments.

Management's Response: The GREAT Academy received a $190,833.93 decrease in SEG and on November 12, 2014, NMPED sent the school an email requesting that the school needed to do a BAR to move the reduced amount from the expenditure budget into function 2900 object 58215 – Restricted Expenditures budget line so that the money cannot be spent. The school did BAR 536-000-1415-0003-T to move the budget and did not spend the money but was not aware that an additional BAR needed to be done to completely move that amount out of the budget. The school will monitor the budget closely to avoid this issue in the future. The business manager will post the necessary BARs by the PED deadlines.

HEALTH LEADERSHIP HIGH SCHOOL

2015-001 Cash Receipts (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During testwork over cash receipts we noted one instance where cash receipts exceeded $50 on September 23, 2014, but were not deposited until October 28, 2014. The total deposit was $430.

HEALTH LEADERSHIP HIGH SCHOOL (CONTINUED)

2015-001 Cash Receipts (Noncompliance in Accordance with the New Mexico State Audit Rule)(Condition)

Criteria: The School's policy states that, "when the receipts total less than $50, they will remain in the possession of the business office, locked up in a safe or locked cabinet until the $50 threshold is met. A deposit will occur once receipts total $50 or at least once per week, whichever comes first.

Effect: The School is not in compliance with its policies and procedures governing cash receipts.

Cause: Procedures were not in place to enforce the School's policies and procedures with respect to cash receipts.

Recommendation: Ensure deposits are made in accordance with the School's policies and procedures governing cash receipts.

Management's Response: The school was on an extended Fall break during October and the deposit was locked in a fire-proof safe while the school was closed. Management agrees with this finding and will ensure that deposits take place prior to the school closing for extended breaks.

2015-002 Payroll Transactions (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During internal control testwork over a sample of 25 payroll transactions, we noted the following:

- Four instances where an I-9 was either not on file or was not properly completed.
- An instance where a background check was not available for our review.

Criteria: Background and I-9 forms should be completed for all individuals hired for sensitive positions and in accordance with written policies and procedures as established by the Governing Council.

NMAC 6.20.2.18 requires various employee records and documentation to be maintained and available for inspection, including personnel/payroll action forms that properly document employee compensation.

Effect: The School is not in compliance with requirements to have employee background checks completed and to ensure properly completed I-9 forms are obtained for each employee.

Cause: The School's policies and procedures are not being enforced.

Recommendation: Personnel files should be periodically reviewed to ensure all required personnel file documents have been obtained and are complete and accurate, including benefit election forms, compensation documentation, I-9's and background checks.

HEALTH LEADERSHIP HIGH SCHOOL (CONTINUED)

2015-002 Payroll Transactions (Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

Management's Response: Management agrees with this finding and has corrected the files in question. All employee files will be reviewed periodically to ensure that all required documentation is on file.

2015-003 Procurement Code (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: The School did not follow proper procurement procedures when it purchased a copier. The cost of the copier was approximately $12,000. The School was required to obtain three written quotes but only obtained one.

Criteria: The School's purchasing policies and procedures require that all goods or nonprofessional services for $10,000 to $20,000 require three written quotes.

Effect: The School could be overpaying for services and/or goods.

Cause: Controls are not in place to ensure the School's purchasing policies and procedures are being followed.

Recommendation: For the procurement of goods and nonprofessional services of $10,000 to $20,000, the School should solicit no fewer than three businesses via written requests containing the specifications for the procurement. Such procurement documentation should be filed and maintained.

Management's Response: The business office obtained two quotes for the copier and did purchase the lower price of the two. Management agrees with this finding and will ensure that purchasing policies and procedures are followed.

2015-004 ERB Contributions and Reports (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: The New Mexico Educational Retirement Board (ERB) instructions for preparing the contribution form 100 report indicates that July and August accrued payrolls, as applicable, are to be included in the June form 100 report. The June 2015 report submitted by the School did not include the July 2015 accrued payroll information. Further, the ERB requires that the contributions covered by the report are to be transmitted no later than the 15th of the month following the month covered by the report. The contributions related to the July 2015 accrued payrolls were transmitted in September 2015.

Criteria: ERB instructions for preparing contribution form 100 report.

Effect: The School is not in compliance with the ERB rules for transmitting and reporting contributions and may be subject to penalties.

HEALTH LEADERSHIP HIGH SCHOOL (CONTINUED)

2015-004 ERB Contributions and Reports (Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

Cause: The School's business manager was unware of this requirement.

Recommendation: Ensure ERB contributions and reports are completed in accordance with the ERB rules and regulations.

Management's Response: Management was unclear as to the summer payroll requirements as no summer payrolls had ever occurred at HLHS prior to July 2015. Management agrees with this finding and will remit summer payroll contributions with the June report.

2015-005 Budgetary Conditions (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: The School did not properly budget prior year cash carry-over in the Partners for Developing Futures fund 26208 and the McCune Charitable Foundation fund 29114. Prior year cash carry-over was $6,724 which was insufficient to cover the current year final budgeted deficit of $18,630 in the Partners for Developing Futures fund. While The McCune Charitable Foundation prior year cash carry-over was $53 which was insufficient to cover the current year final budgeted deficit of $16,865 in the McCune Charitable Foundation fund.

Criteria: Per NMAC 6.20.2.9 (A) every school district shall follow budget requirements stated in Sections 22-8-2 through 22-8-12.2, NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information.

Effect: The School is out of compliance with New Mexico state statute regarding budgetary information and the controls established by the use of budgets has been compromised, which resulted in deficit fund balances and unnecessary usage of funds to cover the budgeted over expenditures.

Cause: The budget adjustment request did not consider prior year carry-over amounts for the above funds and budget adjustment requests were not prepared and submitted to PED.

Recommendation: We recommend that the School establish a policy where the budget is reviewed at the end of each quarter and give consideration to deficits and ensure that designated cash is available to cover such overages.

Management's Response: Management understands that budget authority obtained by the PED is adjusted based on the cash balances published in the financial statements from the prior year. This year the audited financial statements were delayed and not available for review, however, management closely monitors the budget and the cash position of every fund source and ensures that neither the budget authority nor the actual unaudited cash balance is exceeded. In both instances, the McCune Fund and Partner's for Developing Futures Fund were not over expended with regard to budget

HEALTH LEADERSHIP HIGH SCHOOL (CONTINUED)

2015-005 Budgetary Conditions (Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

authority or actual cash on hand. There was no financial risk associated with the actual management of these funds.

2015-006 Collateral Requirements (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: The School's did not have a pledged collateral agreement in place during fiscal year 2015.

Criteria: Section 6-10-17, NMSA 1978, requires pledged collateral for deposits in banks, savings and loan associations, or credit unions, in an aggregate amount equal to one-half of the amount of public money in each account. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union (NCU) shares insurance.

Effect: Of the School's bank deposit balance of $560,646 at June 30, 2015, $250,000 was insured by the FDIC and the remaining amount of $310,646 was uninsured and uncollateralized. Section 6-10-17, NMSA 1978 requires that half of the uninsured and uncollateralized amount, or $155,323, to be collateralized.

Cause: Management was under the belief that a pledged collateral agreement was in place for the year ending June 30, 2015.

Recommendation: A pledged collateral agreement should be in place at each financial institution used by the School that collateralizes at least one-half of the bank balance not already insured or collateralized.

Management's Response: Management agrees with this finding and has a pledge agreement in place as of October 2015.

HEALTH SCIENCES ACADEMY

2015-001 Internal Control Over Purchasing – (Significant Deficiency)

Condition: During our testing of sixty cash disbursements we noted there were thirteen instances (totaling $36,850.57) in which the Purchase Order was prepared subsequent to the vendor's invoice date. We noted two instances ($8,617.32 and $14,350.00) where the disbursements were not posted to the proper general ledger code. We also noted two instances ($30,000.00 and $1,760.00) where there was not sufficient supporting documentation to determine if the expenditures were for the proper amounts.

Criteria: Section NMAC 6.20.2.17 (A), requires that each school shall establish and

HEALTH SCIENCES ACADEMY (CONTINUED)

2015-001 Internal Control Over Purchasing – (Significant Deficiency)(Continued)

implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, states that "the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction."

Effect: Not being in compliance with state purchasing requirements places the School at risk for fraud or misuse of public funds.

Cause: School personnel did not follow established procurement policies of the School.

Recommendation: All School personnel should be reminded that initiation of a purchase order is not sufficient for ordering; that an approved Purchase Order is required per School and State guidelines. Cash disbursements should be reviewed monthly to ensure that they were properly coded to the general ledger. The school should maintain proper documentation on all cash disbursements.

Management's Response: The School has ceased operations. Management was not available to respond to audit findings.

2015-002 Personnel Files – (Compliance)

Condition: In a sample of ten personnel files selected for testing, there were two personnel files missing evidence of both a background check and evidence of proper certifications.

Criteria: NMAC 6.20.2.18 requires that schools maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (Federal Form I-9), federal and state withholding certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

Effect: The School is not in compliance with New Mexico State Statutes in regards to employee record documentation.
Cause: Personnel files were not being properly maintained.

Recommendation: The School should review all personnel files to ensure that required documentation required by NMAC 6.20.2.18 is available.

Management's Response: The School has ceased operations. Management was not available to respond to audit findings.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

2015-003 Mileage Reimbursements – (Compliance)

Condition: For the year ended June 30, 2015, it was noted that the School reimbursed employees for mileage at a rate of $0.565 cents per mile.

Criteria: NMAC 2.42.2.11 (B) (1) states public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the official discharge of official duties as follows: "unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle."

Effect: The School is not in compliance with New Mexico State Statutes in regards to mileage reimbursement.

Cause: School personnel were not aware of the 80% provision of the Travel and Per Diem Act.

Recommendation: The School should reimburse mileage at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management's Response: The School has ceased operations. Management was not available to respond to audit findings.

2015-004 Budgetary Condition – (Compliance)

Condition: The School had a fund where actual expenditures exceeded budgetary authority:

Instructional Materials 14000	$2,538

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22- 8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts the function is the legal level of control.

Effect: The school is out of compliance with State Law and the control established by the use of budgets has been compromised.

Cause: A budget adjustment request was never submitted to account for the additional expenditures incurred.

Recommendation: The School should establish a policy of budgetary review at year-end and make the necessary budgetary adjustments.

HEALTH SCIENCES ACADEMY (CONTINUED)

2015-004 Budgetary Condition – (Compliance)(Continued)

Management's Response: The School has ceased operations. Management was not available to respond to audit findings.

HORIZON ACADEMY WEST

2014-001 Payroll Transactions (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During our testwork over a sample of 25 payroll transactions, we noted three employees whose background check was not on file.

Criteria: Per NMAC 6.20.2.18 the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, and employment eligibility verification.

Effect: The School is not in compliance with NMAC 6.20.2.18 in regards to maintaining employee records and documentation.

Cause: Internal controls were not in place to ensure required documentation is obtained and maintained for all employees.

Recommendation: Personnel files should be periodically reviewed to ensure all required personnel file documents have been obtained and are complete and accurate. The School should ensure controls are in place to obtain required payroll documents when employees initially begin employment.

Management's Response: Management will review all files and verify all background checks are on file. The background checks noted above have been received and placed in employee file. The office manager will ensure this is completed by October 2015.

2014-005 Violation of the New Mexico Anti-Donation Clause (Noncompliance, Other Matters)

Condition: The School has entered into a Pledge and Covenant Agreement with a third party lender to secure debt of a legally separate entity (the Horizon Academy Foundation, a 501(c)(3) organization). Under the terms of the debt agreement, the lender required the School to pledge, transfer, and grant a security interest in and assign to the lender all funds, monies, grants or other distributions received by the School from the State of New Mexico.

HORIZON ACADEMY WEST (CONTINUED)

2014-005 Violation of the New Mexico Anti-Donation Clause (Noncompliance, Other Matters)(Continued)

Furthermore, the Pledge and Covenant Agreement identified that the School establish and maintain a depository account with the lender into which all education funding received by the School from the Public Education Department (including Equalization Guarantee Funding, Lease Reimbursement Program payments, and other special funds and federal pass-through funding constituting Adjusted Pledged Revenues) shall be deposited into. The lender is authorized to withdraw from this account upon default by the Horizon Academy Foundation.

Criteria: Pursuant to Article IX, Section 14 of the New Mexico State Constitution (Anti-Donation Clause), neither the state nor any county, school district or municipality 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.

Effect: As the School has pledged revenues to secure debt payments on an obligation not owed by the School and is in violation of state statute. As a result of this violation, the debt could be considered invalid.

Cause: The School was unaware that the securitization of debt was a violation of state statute. Furthermore, the School did not seek approval by the Public Education Department to ensure compliance with New Mexico State Law.

Recommendation: We recommend that the School seek immediate assistance from the Public Education Department for guidance on communication between the Foundation and Lender to re-negotiate the terms of the debt agreement to exclude any future pledging by the School. It is further recommended that the revised and final debt agreement be reviewed and accepted by the Public Education Department General Counsel to ensure compliance with New Mexico State Law.

Management's Response: Management disagrees with this finding. See response from FY14 audit.

Auditor Rebuttal: Our determination that the School violated the Anti-Donation Clause was based on the "plain" language in the Pledge and Covenant Agreement entered into by the School and the Bank. While we did make inquiries of the New Mexico Public Education Department's (PED) legal counsel, their response was only one component in our decision to include this as a finding and the inclusion of this finding was ultimately the decision of the auditor. Generally Accepted Government Auditing Standards (GAGAS) requires auditors to inquire of management and others regarding whether an entity is in compliance with various laws and regulations applicable to the entity in addition to discussing compliance requirements with management and its legal counsel to assist in identifying material compliance requirements. Throughout the audit we have ensured compliance with GAGAS and the independence standards and we are independent with respect to the School's audit.

HORIZON ACADEMY WEST (CONTINUED)

2015-001 Disposition of property (Noncompliance in accordance with the New Mexico State Audit Rule)

Condition: During fiscal year 2015, the School disposed of a server and a firewall which cost $1,300 and $2,650, respectively. A letter was not sent to the New Mexico Office of the State Auditor to inform them of the intent to dispose of the equipment.

Criteria: Section 2.2.2.10(T)(3) NMAC Requirements for Contracting and Conducting Audits of Agencies, requires the agency to certify in writing the proper erasure of any digital equipment with storage capabilities, and submit the certification along with the notification of the proposed disposition of property to the State Auditor at least thirty days prior to taking action. This applies even if the original purchase price of the digital equipment was less than $5,000.

Effect: The School is not in compliance with NMAC 2.2.2.10 (T)(3).

Cause: The School did not follow applicable requirements when disposing of capital assets.

Auditor's Recommendation: We recommend that internal controls be established to ensure that capital asset disposals follow all required regulations.

Management's Response: Management will ensure that notification is sent going forward. The business manager will be responsible for this task and they will implement controls for this process by October 2015.

2015-002 Procurement Code (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During our procurement test work, we noted the School did not go out to bid for one vendor who provided information technology (IT) services. During fiscal year 2015, the School paid this vendor $64,098.

Criteria: NMAC 6.20.2.17 PURCHASING states A. Each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. Purchasing policies and procedures for grant funding shall comply with requirements established within the grant and the Procurement Code. An internal control structure over purchasing shall be established and maintained to assure compliance with school district policy, state and federal regulations. The School's financial policies states that competitive bids must be obtained on a request for proposal form and in accordance with New Mexico State Statute. According to NMSA Article I, Section 13-1-104, "An invitation for bids or a notice thereof shall be published not less than ten calendar days prior to the date set forth for the opening of bids. In the case of purchases made by the state purchasing agent, the invitation or notice shall be published at least once in at least three newspapers of general circulation in this state; in addition, an invitation or notice may be published electronically on the state purchasing agent's web site that is maintained for that purpose."

HORIZON ACADEMY WEST (CONTINUED)

2015-002 Procurement Code (Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

Effect: The School could be overpaying for services and goods.

Cause: The School did not expect to make purchases over the state procurement requirement.

Recommendation: For professional services greater than $60,000, the School should solicit an invitation for bid to comply with procurement guidelines.

Management's Response: Management will review purchases on a regular basis to verify the amounts to not go over procurement code. The business manager will implement these changes by October 2015.

2015–003 Excess of Expenditures over Budget (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: The School has an expenditure function where actual expenditures exceeded budgetary authority:

SB-9 Capital Improvements	
Support Services-General Administration	$93

Criteria: Per NMAC 6.20.2.9 (A) every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12.2, NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information. Budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed.

Effect: The School's actual expenditures in the above function exceeded the total approved budgeted expenditures.

Cause: Budgetary controls were not in place to adequately monitor and regularly compare budget to actual results. As a result, measures were not taken to avoid or minimize the amount that actual expenditures exceeded the approved budget for the School's Capital Improvement fund.

Recommendation: Budget adjustment requests should be presented and approved before expending funds in excess of the budget. Controls should be implemented to ensure that budgeted amounts are compared to actual on a regular basis and the budget effectively utilized for controlling expenses and managing cash flow.

Management's Response: Management will review budget on a regular basis to ensure all the required BARs are created. The business manager will review the budget and ensure the required BARs are created starting October 2015.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

THE INTERNATIONAL SCHOOL AT MESA DEL SOL

2014-001 Mileage Reimbursements – (Compliance)

Condition: For the year ended June 30, 2015, it was noted that the School reimbursed employees for mileage at a rate of fifty six cents per mile. Progress has not been made in the current year.

Criteria: NMAC 2.42.2.11 (B) (1) states public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the official discharge of official duties as follows: "unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle."

Effect: The School is not in compliance with New Mexico State Statutes in regards to mileage reimbursement.

Cause: The School contends that it is a Local Public Body and not a State Agency. As a Local Public Body, the school contends that it may reimburse mileage at the full amount authorized by the IRS. The New Mexico Public Education Department (PED) has indicated to the auditors that charter schools chartered under PED are a component unit of PED and should reimburse mileage at the rate approved for a State Agency.

Recommendation: The School should reimburse mileage at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management Response: The International School at Mesa del Sol will start reimbursing mileage at 80% of the IRS standard mileage rate. The business manager will be responsible for overseeing the implementation of this policy. This will be completed by December 31st.

J. PAUL TAYLOR ACADEMY

2014-001 Supporting Documentation – Repeated (Significant Deficiency)

Condition: In a sample of sixty-six cash disbursements selected for testing, the following item was noted:

- For thirty-seven items totaling $82,145.40, there was no purchase order or signed contract and no indication of approval or review by an authorized employee.

During a test of transactions for "earmarked or special designated funding" we noted the following;

- Two transaction were tested for Fund 24101 (Title-I). For $11,416.00 of the $32,098.00 tested, there was not sufficient supporting documentation to verify that the costs were allowable costs under Title –I regulations.

J. PAUL TAYLOR ACADEMY (CONTINUED)

2014-001 Supporting Documentation – Repeated (Significant Deficiency)(Continued)

- Nineteen transaction were tested for Fund 24106 (IDEA-B). For $7,840.10 of the $39,839.00 tested, there was not sufficient supporting documentation to verify that the costs were allowable costs under IDEA-B regulations.

There has been no progress made regarding this finding during fiscal year 2015.

Criteria: Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP."

Effect: Unsupported cash disbursements places the school at risk for unauthorized expenditures or fraud.

Cause: School personnel did not follow established procurement policies of the School.

Recommendation: The School should put in place internal controls so that documentation for all cash disbursements is available for examination both by school personnel and external parties such as the auditors. Cash disbursements should be reviewed and approved by someone other than the business manager, such as the principal or the treasurer of the governing council.

Management's Response: The School has switched Business Managers after FY 2015. The School has instructed the new Business Manager to keep all documentation for cash disbursements on the premises and maintained in an orderly fashion. This policy has already been implemented by school management and the new Business Manager.

2015-001 Supporting Documentation – (Compliance)

Condition: In a sample of fifteen travel reimbursements selected for testing, the following item was noted:

- For five items, totaling $2,777.99, there was no supporting reimbursement voucher or receipts provided to validate the amount of reimbursement.

Criteria: Per NMAC 2.42.2.12 Reimbursement for Other Expenditures, paragraph B. Receipts Required: Public officers and employees may be reimbursed for the following expenses provided that receipts for

J. PAUL TAYLOR ACADEMY (CONTINUED)

2015-001 Supporting Documentation – (Compliance)(Continued)

all such expenses are attached to the reimbursement voucher. (1) actual costs for travel by common carrier, provided such travel is accomplished in the most economical manner practical; (2) rental cars or charter aircraft, provided less expensive public transportation is not available or appropriate; (3) registration fees for educational programs or conferences, provided, if the fee includes lodging or meals, then no per diem rates shall be paid and only actual expenses paid by the officer or employee and not included in the fee shall be reimbursed within the limits of 2.42.2.9 NMAC; and (4) professional fees or dues that are beneficial to the agency's operations or mission. (5) Under circumstances where the loss of receipts would deny reimbursement and create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board. See Appendix B for a sample affidavit.

Effect: Unsupported reimbursements place the school at risk for unauthorized expenditures or fraud.

Cause: School does not comply with state statutes; travel reimbursements issued without obtaining reimbursement request and receipts for authorized expenditures.

Recommendation: The School should put in place internal controls so that documentation for all travel reimbursements are supported by a reimbursement voucher with supporting receipts attached and that require an authorized person to review all requests and supporting receipts to ensure employees are reimbursed for authorized expenditures only.

Management's Response: The School has switched Business Managers after FY 2015. The School has instructed the new Business Manager to keep all documentation for travel reimbursements on the premises and maintained in an orderly fashion. This policy has already been implemented by school management and the new Business Manager.

2015-002 Budgetary Conditions (Compliance)

Condition: We noted the School budgeted cash carryover of $46,871more than the School had available for the Operational Fund.

Additionally, the School had funds where actual expenditures exceeded budgetary authority:

Operational 11000	Instruction	$	354

Criteria: In accordance with Public Education Department (PED) requirements and 6-6-6 NMSA 1978, the School is required to follow PED procedures relating to Budget Adjustment Requests. This includes ensuring that BAR's are included in final budget amounts reported to Schools PED report. Per NMAC 6.20.2.10.B, School districts shall submit budget adjustment requests for the operating budget to the

J. PAUL TAYLOR ACADEMY (CONTINUED)

2015-002 Budget Adjustment Requests (BAR) (Compliance)(Continued)

department for budget increases, budget decreases, transfers between functional categories, and transfers from the emergency reserve account. Expenditures shall not be made by the school district until budget authority has been established and approval received from the department. Budget adjustments shall not be incorporated into the school district's accounting system until approval is received by the department.

6.20.2.9 (A) NMAC and 22-8-5 through 22- 8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts the function is the legal level of control.

Effect: The school is not in compliance with State Statutes.

Cause: The budget was not being properly monitored.

Auditor's Recommendation: The School must be familiar with Public Education Department (PED) requirements and 6-6-6 NMSA 1978 and follow the requirements for the budgetary system.

Management's Response: Normal procedures for the school hold that BARs are presented to the Governing Council for the purpose of matching projected cash carryover amounts to actual cash carryover amounts. These BARs are then submitted to the NMPED. The NMPED requires that all BARs have official documentation verifying amounts of increase or decrease. Historically, the NMPED has accepted the school's prior year audit as verification of cash carryover figures. To this date, the Office of the State Auditor has not released the FY14 audit to the public and therefore could not be used as backup for a BAR. Once the NMPED's audits are back to being released during a normal time frame the BAR process can be established once again to ensure that budget authority over cash carryover amounts are verified against the completed audit.

2015-003 After School Care and Enrichment Programs (Compliance) (Material Weakness)

Condition: The School was operating an after school childcare program that was not being recorded or tracked on the School's general ledger.

Criteria: Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.

J. PAUL TAYLOR ACADEMY (CONTINUED)

2015-003 After School Care and Enrichment Programs (Compliance) (Material Weakness)(Continued)

Effect: The School did not have any of this program recorded on their general ledger. Some of the employees that were being paid out of this program did not have these wages listed as stipends or addendums to their salary and therefore these amounts were not on their W-2 form at the end of the year. The purchases out of this fund did not have the normal process of review over cash disbursements like other School purchases. The school also ran an after school enrichment program that was being captured on the general ledger. However, these employees were being paid out of a separate account and their wages were not being picked up on their W-2s.

Cause: The School's previous Business Manager instructed the School to set the program up in this manner.

Recommendation: The School must verify that all programs initiated by the School be reflected in the general ledger and that they follow all policies in place at the School.

Management's Response: The Program was eliminated as soon as we became aware of it. We will make sure that any programs like this that are initiated by the School will be accounted for properly and all relevant School policies will be followed.

LA ACADEMIA DOLORES HUERTA CHARTER SCHOOL

2015-001 Journal Entries - (Significant Deficiency)

Condition: For two of five journal entries selected for testing, in the amounts of $6,353.68 and $2,192.80, the school was not able to provide supporting documentation and proof of approval.

Criteria: Per NMAC 6.20.2.11(B), each school district shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction. Per proper accounting practices, there should be a segregation of duties for the preparation and posting of journal entries. In addition, all journal entries should be reviewed and approved by a designated member of management and include proper supporting documentation. Also, all journal entries should be posted to the appropriate funds and should be in balance.

Effect: Lack of review of journal entries or lack of supporting documentation can lead to an increased risk of fraud or improper posting of journal entries. The posting of journal entries to the incorrect fund or journal entries that do not balance can cause material misstatement to the financial statements. The Business Manager could make entries that could be inappropriate and would not be detected or corrected.

LA ACADEMIA DOLORES HUERTA CHARTER SCHOOL (CONTINUED)

2015-001 Journal Entries - (Significant Deficiency)(Continued)

Cause: The school's current Business Manager was unable to locate the supporting documentation for the journal entries posted by the prior Business Manager.

Recommendation: We recommend that the school implement a policy to ensure all journal entries are supported and reviewed and approved by an appropriate level of management.

Management's Response: The Business Manager will ensure that all journal entries have supporting documentation and are approved by the Director. The Business Manager is responsible for correcting this by December 31, 2015.

2015-002 Form1099-MISC - (Compliance)

Condition: The school did not maintain copies of the Forms 1099-MISC that were distributed for calendar year 2014. The auditors were unable to determine if the forms were distributed to the proper recipients and for the proper amounts.

Criteria: Per the 2014 Instructions for Form 1099-MISC, the form is to be filed for each person to whom the school paid during the year of at least $600 in rents, services (including parts and materials), prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish, or generally, the cash paid from a notional principal contract to an individual, partnership, or estate.

Effect: The School is out of compliance with the Internal Revenue Service Code (IRS) which could result in a penalty under an IRS investigation.

Cause: The school's current Business Manager was unable to locate the supporting documentation for the Forms 1099-MISC filed by the prior Business Manager.

Recommendation: We recommend the School establish a policy to ensure all required 1099 forms are submitted to required vendors and in for the correct amounts.

*Management Response***:** The Business Manager will ensure that the 1099's are issued to the appropriate vendors by January 31, 2016 and that the Form 1096 is submitted to the Internal Revenue Service.

2015-003 Inventory and Capital Assets – (Compliance)

Condition: During our testing of inventory and capital assets we noted the following:

LA ACADEMIA DOLORES HUERTA CHARTER SCHOOL (CONTINUED)

2015-003 Inventory and Capital Assets – (Compliance)(Continued)

- The school maintains a listing of technology assets, but does not conduct an annual inventory of these items. The listing also does not include historical costs on these items.
- School personnel were unable to locate the school's listing of capital assets and the associated depreciation schedule.

Criteria: Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP." Further, Per NMAC 6.20.2.22 (C) "Property control system: Assets of a long- term character which are intended to continue to be held or used, such as land (including

acquisition and improvements to grounds), buildings (including initial, acquisition, improvements, remodeling, additions, and replacement), furniture, machinery and equipment shall be acquired and accounted for through the development and implementation of a complete property control system which shall be adopted by the local board and in accordance with GAAP. General services department (GSD) rules(s), the state Procurement Code, and any other applicable state and federal requirements."

Effect: Assets could be stolen without the school's knowledge. This could lead to the financial statements being misstated.

Cause: The school was unaware of the requirement to conduct an annual inventory. The current Business Manager could not locate the capital assets listing and depreciation schedule maintained by the former Business Manager.

Recommendation: We recommend the School develop and implement internal controls over fixed asset inventories to ensure all assets are accounted for and physically exist. The school should maintain a listing of its capital assets and the associated depreciation schedule. School personnel should become familiar with the requirements of PSAB Supplement 12 "Capital Assets."

Management's Response: The Business Manager and Assistant Business Manager will conduct an inventory at the end of fiscal year 2016 to ensure there is an accurate listing of all capital assets.

LA ACADEMIA DOLORES HUERTA CHARTER SCHOOL (CONTINUED)

2015-004 PED Cash Reports and Bank Reconciliations- Repeated and Modified- (Significant Deficiency)

Condition: The following items were noted during our testing of cash:

- At June 30, 2015 the general ledger reports a cash balance of $275,587.93.
- At June 30, 2015 the bank reconciliations report a cash balance of $273,021.06.
- At June 30, 2015 the PED Cash Report shows a balance of $277,208.34.

School personnel were unable to reconcile the variances noted above.

Criteria: According to 6.20.2.11 (B) (6), NMAC, "School districts shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparisons of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer generated reports." The New Mexico Manual for Procedures for Public School Accounting and Budgeting Supplement 7 Cash Controls also requires that the reports sent to the New Mexico Public Education Department (PED) must agree to school district records.

Effect: The PED does not have an accurate accounting of the School's activity.

Cause: There was a transition of Business Managers at the end of the fiscal year. During this transition, cash was not properly reconciled.

Auditor's Recommendation: We recommend that policies and procedures be implemented to ensure that bank accounts are properly reconciled on a monthly basis and that the quarterly PED cash reports reconcile to the general ledger.

Management's Response: The Business Managers and Finance Committee will ensure that all reports match prior to submitting them to PED. The Business Manager is responsible for correcting this by December 31, 2015.

2015-005 Personnel Files – (Compliance)

Condition: In a payroll test of nine personnel files, one personnel file was missing the Form I-9.

Criteria: NMAC 6.20.2.18 requires that schools maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (Federal Form I-9), federal and state withholding certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

LA ACADEMIA DOLORES HUERTA CHARTER SCHOOL (CONTINUED)

2015-005 Personnel Files – (Compliance)(Continued)

Effect: The School is not in compliance with New Mexico State Statutes in regards to employee record documentation.

Cause: School personnel failed to obtain a Form I-9 from the individual when they were hired.

Recommendation: The School Should Review All Personnel Files To Ensure That Required Documentation Required By NMAC 6.20.2.18 Is Available.

Management Response: In November 2015, the Business Manager reviewed all personnel files and verified the required documents were on file.

LA JICARITA COMMUNITY SCHOOL

2014-003 Payroll and Personnel Files – (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During our internal control testwork over a sample of 25 payroll transactions we noted the following:

- Three of the employees tested had missing or incomplete I-9s on file.
- Two of the employees tested did not have a form W-4 on file.
- For one employee tested a background check could not be provided for our review.
- For two employees tested an employment contract could not be provided for our review. Consequently, we were unable to determine the approved rate of pay.

Criteria: NMAC 6.20.2.18 requires various employee records and documentation to be maintained and available for inspection, including personnel/payroll action forms that properly document employee compensation.

Pursuant to 22-10.3.3 NMSA 1978, policies and procedures should be developed requiring background checks on an applicant who has been offered employment with unsupervised access to students at a charter school.

Effect: The School is not in compliance with its payroll processing and payment policies and procedures and NMAC 6.20.2.18. The School is also not in compliance with 22-10-3.3 NMSA 1978.

Cause: Adequate policies and procedures have not been developed and implemented to ensure compliance with the above rules and regulations.

Recommendation: Personnel files should be periodically reviewed to ensure all required personnel file documents have been obtained and are complete and accurate, including benefit election forms and

LA JICARITA COMMUNITY SCHOOL (CONTINUED)

2014-003 Payroll and Personnel Files – (Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

compensation documentation. Individual base compensation should agree to the La Jicarita Community School Salary Schedule approved by the Governing Council with additional compensation (i.e. stipends, etc.) separately documented and approved.

Internal controls should be developed and implemented to ensure background checks are completed timely and accurately.

Management's Response: The school's Business Manager implemented a checklist to be used for the intake of all new hires to ensure that all of the proper documentation is in the employee file. A thorough review of all existing employee files has been completed and all required documents are now in the employee personnel files

2015-001 ERB Contributions – (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During the months of September through December 2014 the School reported that certain employees had wages of less than $20,000. Per review of these employee's contract files we noted that they should have been classified as having wages greater than $20,000.

Criteria: Chapter 22, Article 11 NMSA 1978 "Educational Retirement Act" establishes guidelines for contributions and the calculation of qualifying wages. Further guidance was provided in a memo from ERB, dated May 26, 2009, that details the method for determining if an employee's wages is under or over $20,000.

Effect: The School is not in compliance with the Educational Retirement Act referenced above.

Cause: The School did not use the appropriate methodology for determining wages for ERB contributions in accordance with ERB guidance.

Recommendation: Implement internal controls to ensure the appropriate amounts are remitted to ERB each month.

Management's Response: The school is aware of the instance in which an employee was improperly deducted for ERB. The school hired a new Business Manager in January 2015 that discovered this issue and corrected it. In addition, the Business Manager performs a detailed monthly reconciliation to ensure that ERB is being deducted correctly. The Business Manager will ensure that the school is in compliance with all laws and guidelines pertaining to ERB.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

LA PROMESA EARLY LEARNING CENTER

2014-001 Purchase Orders Subsequent to Invoice – Modified and Repeated – (Significant Deficiency)

Condition: During our testing of sixty cash disbursements we noted three check totaling $58,064.39 in where $8,214.61 of the Purchase Orders were prepared subsequent to the vendor's invoice date. No progress was made in the current fiscal year.

Criteria: Section NMAC 6.20.2.17 (A), required that each school shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, states that "the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction."

Effect: Not being in compliance with state purchasing requirements places the School at risk for fraud or misuse of public funds.

Cause: School personnel did not follow established procurement policies of the School.

Recommendation: All School personnel should be reminded that initiation of a purchase order is not sufficient for ordering; that an approved Purchase Order is required per School and State guidelines.

Management Response: During employee orientation for the 2015-2016 fiscal year, employees were informed of our responsibility as well as their responsibility to ensure that all Purchase Orders are created before any orders can be placed. The Business Manager will be responsible for ensuring policies are in place by December 31, 2015.

2015-001 Internal Control Over Cash Disbursements – (Significant Deficiency)

Condition: In a sample of sixty expenditures we noted the following:

- There were seven instances (totaling $112,125.72) where the payments were made late. Two of the instances resulted in late fee of $165.20.
- There was one instance where the cash disbursement exceeded the attached invoices by $788.91.

Criteria: NMAC 2.42.6.20.2.11 requires that schools establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguards against loss from unauthorized use. "The internal control structure shall include written administrative controls (rules, procedures, practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP."

LA PROMESA EARLY LEARNING CENTER (CONTINUED)

2015-001 Internal Control Over Cash Disbursements – (Significant Deficiency)(Continued)

Effect: Unsupported cash disbursements and late payments put the School at risk for unauthorized purchases.

Cause: School personnel did not follow established procurement policies of the School.

Recommendation: The School should follow its own internal policy. All cash disbursements should be properly supported and paid timely.

Management Response: Unfortunately, La Promesa had experienced a cash flow problem due to the slow reimbursement process for our Summer Program, which costs the school approximately $250,000 each year. Although we had submitted all reimbursement requests by September 30, 2014, our reimbursements did not come in until December and January. This year we had to request a cash advance from PED to cover these expenditures. Again, we still have not been reimbursed for our expenditures as of today.

As for the payment amount over the PO, we will make sure that any additional expenditures are reported to the business office prior to encumbering such expenses. The Business Manager will be responsible for ensuring policies are in place by December 31, 2015.

2015-002 Travel & Per Diem – (Compliance)

Condition: In a sample of twelve Travel and per Diem disbursements we noted one item where a Per Diem reimbursement was overpaid by $2.50.

Criteria: In regards to the partial day per diem rates, per NMAC 2.42.2.8 B(3) provides that on the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made. To calculate the number of hours in the partial day, begin with the time the traveler initially departed. Divide the number of hours traveled by 24. The hours remaining constitute the partial day which shall be reimbursed as follows:

(a) For less than 2 hours, none;
(b) For 2 hours, but less than 6 hours, $12.00;
(c) For 6 hours or more, but less than 12 hours, $20.00
(d) For 12 hours or more $30.00

Effect: The school could be in violation of the anti-donation rules and could be paying for costs that are not considered allowable. The school is in violation of the NMAC.

Cause: The School did not verify the correct partial day per diem reimbursement rate prior to reimbursing the employee.

LA PROMESA EARLY LEARNING CENTER (CONTINUED)

2015-002 Travel & Per Diem – (Compliance)(Continued)

Recommendation: We recommend that the school put procedures in place to be aware of the current per diem available per NMAC.

Management Response: All Per Diem expenditures will be reviewed by both the Business Manager and the Business Office Assistant to ensure that all costs are aligned to the State Per Diem rates. The Business Manager will be responsible for ensuring policies are in place by December 31, 2015.

LA RESOLANA LEADERSHIP ACADEMY

2015-001 Budgetary Condition – (Compliance)

Condition: The School had funds where actual expenditures exceeded budgetary authority:

Food Service Operations 21000	$14,037
Teacher & School Leader Incentive Pay 27188	$ 3,800
Teacher & School Leader Incentive Pay Group 27190	$ 797

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22- 8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts the function is the legal level of control.

Effect: The school is out of compliance with State Law and the control established by the use of budgets has been compromised.

Cause: A budget adjustment request was never submitted to account for the additional expenditures incurred.

Auditor's Recommendation: The School should establish a policy of budgetary review at year-end and make the necessary budgetary adjustments.

Management's Response: The school has procedures in place to review the budget at year end to make sure all BARs are submitted in a timely manner. The business manager will be responsible for the review of the budgets. The final budget adjustment request will be completed prior to PED required deadline.

2015-002 Purchase Orders – (Significant Deficiency and Compliance)

Condition: During our testing of forty cash disbursements we noted the following:

LA RESOLANA LEADERSHIP ACADEMY (CONTINUED)

2015-002 Purchase Orders – (Significant Deficiency and Compliance)(Continued)

There were twelve instances ($1,000.00, $440.20, $1,600.00, $2,400.00, $909.50, $235.71, $1,888.55, $267.50, $1,950.00, $1,012.50, $3,000.00, and $285.00) where the purchase order was dated after the invoice date.

Criteria: Section NMAC 6.20.2.17 (A), requires that each school shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, states that "the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction."

Effect: Not being in compliance with state purchasing requirements places the School at risk for fraud or misuse of public funds.

Cause: School personnel did not follow established procurement policies of the School.

Recommendation: All School personnel should be reminded that initiation of a purchase order is not sufficient for ordering; that an approved Purchase Order is required per School and State guidelines.

Management Response: The school has internal control procedures established. These procedures will be emphasized with staff. An approved Purchase Order will be in place before placing an order with a vendor. The business manager will review these procedures with staff by December 31st.

THE MASTERS PROGRAM

2014-001 Mileage & Travel Reimbursements – Modified and Repeated (Compliance)

Condition: For the year ended June 30, 2015 we tested eight travel reimbursements and it was noted that the School reimbursed employees at a mileage rate of fifty six cents per mile. In addition three expense report reimbursements for meals exceeded allowable per diem rates by a total of $9.99.

Criteria: NMAC 2.42.2.11 (B) (1) states public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the official discharge of official duties as follows: "unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle." NMAC 2.42.2.8 (B) (3) states per diem rate computations to be paid to public officers and employees. Also, Actual expenses for meals are limited by Section 10-8-4(K) (2) NMSA

THE MASTERS PROGRAM (CONTINUED)

2014-001 Mileage & Travel Reimbursements – Modified and Repeated (Compliance)(Continued)

1978 (1995 Repl. Pamp.) to a maximum of $30.00 for in-state travel and $45.00 for out-of-state travel for a 24-hour period.

Effect: The School is not in compliance with New Mexico State Statutes in regards to mileage and per diem reimbursements.

Cause: The School has received conflicting information on what the correct mileage reimbursement rate is. The New Mexico Public Education Department (PED) has indicated to the auditors that charter schools chartered under PED are a component unit of PED and should reimburse mileage at the rate approved for a State Agency.

Recommendation: The School should reimburse mileage at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle. Reimbursements of actual meals should be limited to a maximum of $30.00 for in-state travel and $45.00 for out-of-state travel for a 24-hour period.

Management's Response: Management is in complete agreement and has changed its policy accordingly. The Governing Council approved the change for fiscal year 2016.

2014-002 Procurement Documentation – Modified and Repeated (Significant Deficiency)

Condition: During our test-work of sixty cash disbursements the following items were noted:

- There were two disbursements (totaling $2,304.39 and $690.00) where the purchase requisitions were not attached.
- There were six purchase orders ($1,551.50, $677.28, $164.61, $1,702.46, $133.50, and $2,500.00) which were prepared subsequent to the vendor's invoice date.

Criteria: Section NMAC 6.20.2.17 (A), requires that each school shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, states that "the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction."

Effect: Not being in compliance with state purchasing requirements places the School at risk for fraud or misuse of public funds.

Cause: School personnel did not follow established procurement policies of the School.

THE MASTERS PROGRAM (CONTINUED)

2014-002 Procurement Documentation – (Significant Deficiency)(Continued)

Recommendation: The School should maintain supporting documentation for all cash disbursements. All School personnel should be reminded that initiation of a purchase order is not sufficient for ordering; that an approved Purchase Order is required per School and State guidelines.

Management's Response: Management acknowledges that "the execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction," our policies conform to this requirement, and employees are required to sign their acknowledgement of this policy. We will continue to remind them. The Business Office will make every reasonable effort to issue a PO whenever the suspicion of an expenditure is looming. Management will review these policies with employees. This will be completed by December 31st.

2014-003 Personnel Files – (Compliance)

Condition: In a payroll test of ten personnel files, one personnel file was missing the Form I-9 and another personnel file did not contain evidence of a background check.

Criteria: NMAC 6.20.2.18 requires that schools maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (Federal Form I-9), federal and state withholding certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

Effect: The School is not in compliance with New Mexico State Statutes in regards to employee record documentation.

Cause: School personnel failed to obtain a Form I-9 from the individual when they were hired. There was also a failure to get a background check on an individual.

Recommendation: The School should review all personnel files to ensure that required documentation required by NMAC 6.20.2.18 is available.

Management's Response: The only employee in the sample without a background check is a part-time data entry clerk who does not work directly with students and thus has not been required to obtain a background check. We have reviewed our files for completeness, and those where an I-9 was not obtained when the employee was hired will always, forever be out of compliance. We can get the I-9 (and have done so), but we cannot make it happen concurrent with a previous hire. Management has reviewed all personnel files for the required background checks and Form I-9s.

THE MASTERS PROGRAM (CONTINUED)

2015-001 Journal Entry Supporting Documentation – (Compliance)

Condition: One of two journal entries selected for testing did not have documentation attached to support the journal entry made.

Criteria: Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP."

Effect: The School could have miscoded an expenditure to the incorrect budget function.

Cause: School personnel did not maintain the supporting documentation for the given journal entry.

Recommendation: The School should put in place internal controls so that documentation for all financial activity is available for examination both by school personnel and external parties such as the auditors.

Management's Response: Management is in the process of establishing procedures for journal entry documentation. These procedures will be documented and completed by December 31st.

MCCURDY CHARTER SCHOOL

2014-003 Non-compliance with cash deposit requirements- Noncompliance in Accordance with the New Mexico State Audit Rule (Compliance)

Condition: For 1 of the 5 cash receipts tested totaling $2,909, it was noted that deposit of funds into a financial institution was not completed within 24 hours.

Criteria: Cash receipts shall be deposited into a financial institution within 24 hours of receipt

Cause: The School did not have a systematic process in place to be in compliance with this requirement.

Effect: Public monies are susceptible to theft or misappropriation if not deposited in a timely manner.

MCCURDY CHARTER SCHOOL (CONTINUED)

2014-003 Non-compliance with cash deposit requirements- Noncompliance in Accordance with the New Mexico State Audit Rule (Compliance) (Continued)

Recommendation: We recommend that the School augment their internal policy to comply with state statutes, specifically regarding the deposit of cash receipts into a financial institution within 24 hours of receipt, and follow the aforementioned policy going forward.

Management's Response: The school has a policy for 24 hour deposits. The director and business manager continue to reinforce training and policy to the staff to ensure that the school follows the State regulations.

2014-006 Compliance with pledged collateral requirements- Noncompliance in Accordance with the New Mexico State Audit Rule (Significant Deficiency)

Condition: The School's bank account was not initially set up as a public account and, therefore, cash balances were not covered by pledged collateral.

Criteria: Article 10 of Chapter 6 of NMSA requires government entities to ensure that deposits of public money are properly collateralized.

Cause: The School's bank account was not set up properly from the beginning, so the financial institution did not provide the school with the proper collateralization for its deposits. In addition, the School management did not properly monitor this requirement to become compliant.

Effect: The School's assets could be exposed to custodial credit risk at certain points during the year.

Recommendation: It appears as though the bank accounts were converted to public accounts, but not until June 2015. During fiscal year 2015, cash balances were uncollateralized.

Management's Response: During prior year audit (FY14) it came to the attention of the new business management team that the school did not have a public account as required by State law. The school immediately started working with the bank to convert the account as soon as they became aware.

MCCURDY CHARTER SCHOOL (CONTINUED)

2014-007 Expenditures in excess of budgeted amounts- Noncompliance in Accordance with the New Mexico State Audit Rule (Compliance)

Condition: Expenditures exceeded the amount budgeted for the following funds:

21000 Food Services		
Food Services Operations	$	48,264
24106 IDEA-B Entitlement		
Instruction		18,550
24146 Charter Schools		
Instruction		144
31700 SB-9 Capital Improvements		
Instruction		703
Total funds with over-expenditures	$	67,661

Criteria: Pursuant to Chapter 6, Article 3 of NMSA 1978, expenditures may not exceed budgeted amounts.

Cause: The School did not have adequate controls in place over expenditures during the year and the budget was not monitored adequately to prevent such over expenditures.

Effect: The School has put itself in a negative financial position by over expending public monies and continues to operate at a deficit.

Recommendation: We recommend that the budget process be monitored more closely on a go forward basis to prevent future non-compliance.

Management's Response: The business manager will monitor the budget on a routine basis. The school was in the process of corrections from prior business office administration and was working within two databases that made it difficult to monitor the budgets as routine.

MEDIA ART COLLABORATIVE CHARTER SCHOOL

2014-001 Mileage Reimbursements – (Compliance)

Condition: For the year ended June 30, 2015, auditor noted that the School reimbursed employees for mileage at a rate of fifty-six and one-half cents per mile. Of the 9 travel items tested that included mileage reimbursements, 78% reimbursed a rate higher than the current statutory rate. Of these 9 items, the total excess reimbursed was $190.44. However, auditor did note that all mileage reimbursements paid after May 2015, the month the school learned it was using the incorrect mileage reimbursement amount, were paid IAW state statute.

MEDIA ART COLLABORATIVE CHARTER SCHOOL (CONTINUED)

2014-001 Mileage Reimbursements – (Compliance)(Continued)

Criteria: NMAC 2.42.2.11 (B) (1) states public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the official discharge of official duties as follows: "unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle."

Effect: The School is not in compliance with New Mexico State Statutes in regards to mileage reimbursement.

Cause: The School contends that it is a Local Public Body and not a State Agency. As a Local Public Body, the school contends that it may reimburse mileage at the full amount authorized by the IRS. The New Mexico Public Education Department (PED) has indicated to the auditors that charter schools chartered under PED are a component unit of PED and should reimburse mileage at the rate approved for a State Agency.

Recommendation: The School should reimburse mileage at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management's Response: The school has amended it policies to reflect mileage reimbursements at the required 80% rate.

MISSION ACHIEVEMENT AND SUCCESS

2014-001 Purchase Order Subsequent to Invoice – (Significant Deficiency)

Condition: During our testing of sixty cash disbursements, there was one instance of $15,062.0 in which the Purchase Order was prepared subsequent to the vendor's invoice date. No progress has been made in the current year.

Criteria: Section NMAC 6.20.2.17 (A), requires that each school shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, states that "the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction."

MISSION ACHIEVEMENT AND SUCCESS (CONTINUED)

2014-001 Purchase Order Subsequent to Invoice – (Significant Deficiency)(Continued)

Effect: Not being in compliance with state purchasing requirements places the School at risk for fraud or misuse of public funds.

Cause: School personnel did not follow established procurement policies of the School.

Recommendation: All School personnel should be reminded that initiation of a purchase order is not sufficient for ordering; that an approved Purchase Order is required per School and State guidelines.

Management's Response: The school has internal control procedures established. These procedures will be emphasized with staff. Staff must receive an approved Purchase Order before they place an order with a vendor. The business manager and Principal will be responsible for training the staff in these procedures. We anticipate this training will be completed by December 31st.

2014-002 Mileage Reimbursements – (Compliance)

Condition: For the year ended June 30, 2015, it was noted that the School reimbursed employees for mileage at a rate of fifty five cents per mile.

Criteria: NMAC 2.42.2.11 (B) (1) states public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the official discharge of official duties as follows: "unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle."

Effect: The School is not in compliance with New Mexico State Statutes in regards to mileage reimbursement.

Cause: The School contends that it is a Local Public Body and not a State Agency. As a Local Public Body, the school contends that it may reimburse mileage at the full amount authorized by the IRS. The New Mexico Public Education Department (PED) has indicated to the auditors that charter schools chartered under PED are a component unit of PED and should reimburse mileage at the rate approved for a State Agency.

Recommendation: The School should reimburse mileage at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management's Response: Mission Achievement and Success Charter School disputes this finding. In

MISSION ACHIEVEMENT AND SUCCESS (CONTINUED)

2014-002 Mileage Reimbursements – (Compliance)

March, 2010 the Finance Director at the school received a determination from the Office of the State Auditor after posing the question: "There is one question that I have regarding the mileage reimbursement rate: When a charter school is authorized by the Public Education Commission, is the school considered a state agency or a local public body?" Their answer is: "Regardless of who chartered the school, charter schools fall under the definition of local public bodies."

The New Mexico Administrative Code, 2.42.2.11 (D) states: Local Public Bodies: Public officers and employees of local public bodies may be reimbursed for mileage accrued in the use of a private conveyance in the discharge of official duties, at the statutory rates unless such rates have been reduced by the governing bodies of the local public body pursuant to Section 10.8.5(D) NMSA 1978. That statute states, in regards to local public bodies: The governing body of any local public body may eliminate or may reduce the rates set for the per diem and mileage for all or any class of public officials and employees of the local public body at any time the local public body deems it to be in the public interest, and such reduction shall not be construed to permit payment of any other compensation, perquisite or allowance. The local public body shall exercise this power of reduction in a reasonable manner and shall attempt to achieve a standard rate for all public officers and employees of the same classification. Based on the statute and regulation noted above, the statutory rate for local public bodies is 100% of the IRS rate unless the governing body of the local public body reduces or eliminates that rate. The Governing Board of Mission Achievement and Success Charter School has not reduced or eliminated that rate. Therefore, Mission Achievement and Success Charter School is allowed to reimburse 100% of the IRS mileage rate.

Auditor's Rebuttal: It has been determined that the school is a component unit of the New Mexico Public Education Department. Because the school is a component unit of a State Agency, it must follow state statutes which limit mileage reimbursements to 80% of the Internal Revenue Service standard mileage rate.

2015-001 Cash Reconciliations (Significant Deficiency)

Condition: For the year ended June 30, 2015, the following items were noted during our testing of cash:

- At June 30, 2015 the general ledger reports a cash balance of $528,853
- At June 30, 2015 the bank reconciliation reports a cash balance of $528,998
- At June 30, 2015 the PED Cash Report shows a balance of $527,628

School personnel were unable to reconcile the variances noted above.

Criteria: According to 6.20.2.11 (B) (6), NMAC, "School districts shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparisons of assets with recorded accountability, computer-programmed controls, management

MISSION ACHIEVEMENT AND SUCCESS (CONTINUED)

2015-001 Cash Reconciliations (Significant Deficiency)(Continued)

review of reports that summarize the detail of account balances, and user review of computer generated reports."

Effect: The PED does not have an accurate accounting of the School's activity.

Cause: School personnel know there are variances, but have not been able to identify and correct the variances.

Recommendation: We recommend that policies and procedures be implemented to ensure that bank accounts are properly reconciled on a monthly basis and that the quarterly PED cash reports reconcile to the general ledger.

Management's Response: The school has policies and procedures in place to ensure that bank accounts are properly reconciled. Due to a payroll liability change after the PED cash report was completed this caused a difference in the bank balances. The bank is currently reconciled with the General Ledger and all reports submitted to PED and the schools governing council. The business manager will monitor the procedures used for cash reconciliations.

NEW AMERICA SCHOOL

2012-002-Internal Control Structure (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During our internal control test work over a sample of 25 disbursements and 5 travel expenditures, we noted the School is not following their P-Card policy as approval is not obtained prior to incurring purchases on the card.

Criteria: Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP."

Effect: The School is not in compliance with their P-Card policy.

Cause: The School did not follow their policies and procedures.

NEW AMERICA SCHOOL (CONTINUED)

2012-002-Internal Control Structure (Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

Recommendation: Ensure the School's P-card policy is followed.

Management's Response: The School is aware of the policy and procedures adopted by the governing council for the use of the P-card. Although a purchase order is established prior to any actual purchase utilizing the P-card and communication is kept at all times within the administration and the business office, management is in agreement that the use of the form as described in the policy is sound procedure. The School is currently utilizing the authorization form as prescribed in policy for all purchases along with ensuring that a purchase order is in place prior to any purchase. The principal, business manager and assistant business manager will be responsible for implementing these policies and will have them in place as of September 2015.

2015-001 Travel and Per Diem (Noncompliance in accordance with the New Mexico State Audit Rule)

Condition: The School used the Internal Revenue Service (IRS) standard rate from the previous year for mileage reimbursements. We reviewed one mileage reimbursement totaling $72.71 for an employee's private vehicle and the reimbursement was paid at 100% of the IRS rate from the previous year.
Criteria: Per NMAC 2.42.2.11 mileage should be paid out for use in a private vehicle at 80% of the IRS standard rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Effect: The School is not in compliance with New Mexico state statute and is overpaying employees for travel on behalf of the School.

Cause: The School did not have internal controls in place to ensure mileage reimbursements were paid in accordance with the New Mexico Per Diem and Mileage Act.

Recommendation: The School should follow the New Mexico Per Diem and Mileage Act for local governments when paying for mileage reimbursements.

Management's Response: The School is in disagreement that it is out of compliance concerning the mileage reimbursement rate chosen. Due to a lack of clarity and guidance from the PED, the School adopted a policy to pay the IRS rate of mileage for reimbursement at 100%. It is the School's belief that charter schools do not fall under the DFA rule for mileage reimbursement and are not subject to only allow for 80% of the IRS rate. The current policy was initially established at the recommendation of an external auditor. The policy will not again be changed until further clarification can be provided by the PED. Lastly, the School's legal counsel reviewed the mileage policy to ensure that the school is in compliance with all laws and regulations.

NEW AMERICA SCHOOL (CONTINUED)

2015-001 Travel and Per Diem (Noncompliance in accordance with the New Mexico State Audit Rule)(Continued)

Auditor Rebuttal: Our determination is the School is in violation of the New Mexico Per Diem and Mileage Act and the School should revise their policy. All state authorized charter schools who have used 100% of the IRS rate have been issued this finding.

2015-002 Payroll (Noncompliance in accordance with the New Mexico State Audit Rule)

Condition: During our review of 25 payroll transactions, we found 2 employees where the School was improperly calculating employee and employer taxes for certain insurance deductions. The School treated pre-tax FICA deductions as post-tax FICA deductions for these two employees.

Criteria: Per the NMAC 6.20.2.12, the School District shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer programmed controls, management review of reports that summarize the detail of accounts balances and user review of computer generated reports. The School is also required to maintain an internal control structure to demonstrate the school ability to record, process, summarize and report financial data. In addition, the internal control structure shall demonstrate that the school district identifies applicable law and regulations, and that procedures are designed to provide reasonable assurance that the school district complies with those laws and regulations.

Effect: The School and the employees paid more in taxes and benefits than what should have been paid.

Cause: When the deductions were entered into the payroll system, pre-tax FICA deductions were entered as post-tax FICA deductions.

Recommendation: Implement internal controls to ensure deductions are properly entered into the payroll system. A review should be performed for all employees to ensure deductions are properly calculated.

Management's Response: The business office has reviewed all voluntary deductions of current employees to determine the assigned designations. The accounting software has the designation of "Pre-Tax" listed for the deductions in question. The business office contacted the software administrator and determined that these deductions should have the designation of "Pre-Social" which encompasses FICA, Medicare, federal and state withholdings. "Pre-Tax" only encompasses federal and state withholdings. The voluntary deductions in question were corrected to the appropriate designation on 11/5/15. The business manager will be responsible for keeping these rates accurate and has implemented the correct rates as of November 2015.

NEW AMERICA SCHOOL (CONTINUED)

2015-003 Budgetary Conditions (Noncompliance in accordance with the New Mexico State Audit Rule)

Condition: The School did not properly budget prior year cash carry-over in the SB-9 Capital Improvements Fund 31700. Prior year cash carry-over was $116,908 and the School budgeted $123,027.

Criteria: Per NMAC 6.20.2.9 (A) every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12.2, NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information.

Effect: The School is out of compliance with New Mexico state statute and the controls established by the use of budgets has been compromised, which would result in deficit fund balances and unnecessary usage of funds to cover the budgeted over expenditures.

Cause: The budget adjustment request did not consider prior year carry-over amounts for the SB-9 Capital Improvements fund and a budget adjustment request was not prepared and submitted to PED.

Recommendation: We recommend that the School establish a policy where the budget is reviewed at the end of each quarter and give consideration to deficits and ensure that designated cash is available to cover such overages.

Management's Response: FY13-14 marked the first year that the school received SB-9 Ad Valorem revenues. FY14-15 would then be the first year the school realized a cash carryover in capital funds. Processes during the course of a normal year hold that projected cash carryover amounts are "trued up" with the receipt of draft financials. Being that draft financials weren't provided until the end of the fiscal year due to the initial external auditor backing out of the FY14 audit, the school used its own internal financial statements to true up the cash carryover amount for the Operational fund. The SB-9 Fund 31700 was not included in this abnormal process. The business manager will do a final review of all funds prior to the end of each fiscal year regardless of the status of the audit to ensure that all funds have correct budget authority. It is noted that even though the school had authority to expend more than what was available in cash, expenditures did not exceed revenues resulting in a carryover in FY15 projected at an estimated $168k. The business manager will be responsible for this and will have it implemented by July 2016.

NEW AMERICA SCHOOL – LAS CRUCES

2014-001 Mileage Reimbursements – (Compliance)

Condition: For the year ended June 30, 2015, auditor noted that the School reimbursed employees for mileage at a rate of fifty-five to fifty-seven and one-half cents per mile. Of the 21 travel items tested that included mileage reimbursements, 95% reimbursed a rate higher than the current statutory rate. Of these 21 items, the total excess reimbursed was $2,469.68. There has been no progress made regarding this finding during fiscal year 2015.

NEW AMERICA SCHOOL – LAS CRUCES (CONTINUED)

2014-001 Mileage Reimbursements – (Compliance)(Continued)

Criteria: NMAC 2.42.2.11 (B) (1) states public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the official discharge of official duties as follows: "unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle."

Effect: The School is not in compliance with New Mexico State Statutes in regards to mileage reimbursement.

Cause: The School contends that it is a Local Public Body and not a State Agency. As a Local Public Body, the school contends that it may reimburse mileage at the full amount authorized by the IRS. The New Mexico Public Education Department (PED) has indicated to the auditors that charter schools chartered under PED are a component unit of PED and should reimburse mileage at the rate approved for a State Agency.

Recommendation: The School should reimburse mileage at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management's Response: The school is aware of the mileage rate as set forth by the DFA at 80% of the IRS rate for the previous year. However, the determination was made at one point in time that charter schools do not fall under the same designation that would limit them to the same rate allowable as the DFA. Furthermore, across 3 different auditors over the past 6 years different determinations have been made concerning the amount that a charter school should/is allowed to pay for mileage reimbursement. Management will discuss with the school's finance and audit committees in order to determine what to present to the governing council in full concerning school policy for mileage reimbursement going forward.

Auditor Rebuttal: Our determination is the School is in violation of the New Mexico Per Diem and Mileage Act and the School should revise their policy. All state authorized charter schools who have used 100% of the IRS rate have been issued this finding.

2014-002 Timely Deposits (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: During our cash receipts testing, we noted that the school could not provide proof of receipts issued for $295.86 of the $4,246.86 deposits tested.

NEW AMERICA SCHOOL – LAS CRUCES (CONTINUED)

2014-002 Timely Deposits (Non-Compliance in Accordance with the New Mexico State Audit Rule)(Continued)

Criteria: Per NMAC 6.20.2.14.B states that "the school district shall issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and secured. If a receipt is voided, all copies shall be marked "VOID" and retained in the receipt book."

Effect: The School is not in compliance with State statute and has exposed itself to possible misappropriation of funds.

Cause: There is a lack of adequate controls over the issuance and maintenance of cash receipts.

Recommendation: The School should implement policies and procedures that track and maintain all items relating to cash receipts.

Management's Response: The school currently has policies and procedures in place for the purpose of tracking all cash/revenue received and ensuring that deposits are made within the 24 hour statutory time frame. These policies and procedures will be reviewed and reinforced with the appropriate personnel.

2015-001 Budgetary Conditions – (Compliance)

Condition: The School has expenditure functions where actual expenditures exceeded budgetary authority for the following fund:

English Language Acquisition:	
Instruction	$1,712

Criteria: Per NMAC 6.20.2.9, (A) every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12.2 NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information. Budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed.

Effect: The School is out of compliance with New Mexico state statute and the control established by the use of budgets has been compromised, which could result in deficit fund balances and unnecessary usage of operating funds to cover the over-expenditures.

Cause: Management was not adequately monitoring actual expenditures.

Recommendation: We recommend the School establish a policy of budgetary review by the governing council or finance committee at the end of each quarter and have the governing council approve the necessary budgetary adjustments to ensure funds are not over expended.

NEW AMERICA SCHOOL – LAS CRUCES (CONTINUED)

2015-001 Budgetary Conditions – (Compliance)(Continued)

Management's Response: The NMPED currently has a threshold for which a school can act as its own fiduciary agent of federal fund awards. The school does not currently meet this threshold for its Fund 24153 Title III award. The NMPED therefore requires that the school have another school act as its fiduciary agent for the purpose of the flow-through of funds. This process was successful and the school was able to secure reimbursement through its fiduciary agent for all expenditures from this fund. However, the NMPED does not have anything in place that allows the school to establish budget authority over these funds. The school's business manager is currently working with the NMPED in order to establish budget authority while still maintaining the current flow-through process.

NEW MEXICO CONNECTIONS ACADEMY

2014-002 Mileage Reimbursements – (Compliance)

Condition: For the year ended June 30, 2015, it was noted that New Mexico Connections Academy reimbursed employees for mileage at a rate of fifty six cents per mile.

Criteria: NMAC 2.42.2.11 (B) (1) states public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the official discharge of official duties as follows: "unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle."

Effect: The School is not in compliance with New Mexico State Statutes in regards to mileage reimbursement.

Cause: The School contends that it is a Local Public Body and not a State Agency. As a Local Public Body, the school contends that it may reimburse mileage at the full amount authorized by the IRS. The New Mexico Public Education Department (PED) has indicated to the auditors that charter schools chartered under PED are a component unit of PED and should reimburse mileage at the rate approved for a State Agency.

Recommendation: The School should reimburse mileage at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management's Response: We disagree with this finding. The issue is not one of internal controls at the school but rather one of a change in opinion by the Public Education Department and external auditors. Previously the Public Education Department had issued a memorandum from the deputy secretary of education which stated charter schools were able to pay the mileage rate at the full IRS rate. Prior

NEW MEXICO CONNECTIONS ACADEMY (CONTINUED)

2014-002 Mileage Reimbursements – (Compliance)(Continued)

auditors had given charter schools audit findings for paying at the rate suggested here. The school followed prior PED and auditor instruction in paying the rate. The finding should be that the PED and auditors should be consistent in the interpretations issued to schools.

Auditor's Rebuttal: It has been determined that the school is a component unit of the New Mexico Public Education Department. Because the school is a component unit of a State Agency, it must follow state statutes which limit mileage reimbursements to 80% of the Internal Revenue Service standard mileage rate.

2014-003 Dual Signatures on Checks – (Other Matter)

Condition: In a sample of sixty expenditures there were three instances ($4,845.04, $3,745.00, and $3,033.83) in which checks were only signed by one authorized signer.

Criteria: NMAC 2.42.6.20.2.11 requires that schools establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguards against loss from unauthorized use. "The internal control structure shall include written administrative controls (rules, procedures, practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP." New Mexico Connections Academy has established an internal control policy that requires all checks of two thousand five hundred or more be signed by two authorized check signers.

Effect: The New Mexico Connections Academy violated its own internal policy in regards to check signing.

Cause: A second authorized check signer was not available when the checks were being processed.

Recommendation: The School should follow its own internal policy of having two authorized signers sign all checks of two thousand five hundred or more dollars.

Management's Response: The school will authorize two signors at the school site to make sure no checks over $2,500 are mailed out without dual signatures. A review of the signed checks should ensure this error does not occur again. The Business Manager will ensure that two authorized signors are in place at the school site by December 31, 2015.

NEW MEXICO CONNECTIONS ACADEMY (CONTINUED)

2014-004 Purchase Order Subsequent to Invoice – (Significant Deficiency)

Condition: During our testing of sixty cash disbursements, there were four instances ($1,504.12, $407.12, $350.00, and $124.28) in which the Purchase Order was prepared subsequent to the vendor's invoice date.

Criteria: Section NMAC 6.20.2.17 (A), requires that each school shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, states that "the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction."

Effect: Not being in compliance with state purchasing requirements places the School at risk for fraud or misuse of public funds.

Cause: School personnel did not follow established procurement policies of the School.

Recommendation: All School personnel should be reminded that initiation of a purchase order is not sufficient for ordering; that an approved Purchase Order is required per School and State guidelines.

Management's Response: School procedures will be emphasized to staff to ensure compliance with school policies and procedures as well as state laws and regulations. The Business Manager will coordinate this training. We anticipate that training will be completed by December 31, 2015.

2015-001 Personnel Files – (Compliance)

Condition: Ten personnel files were examined in our payroll testing. One of these files did not contain evidence supporting authorization for payroll deductions.

Criteria: NMAC 6.20.2.18 requires that schools maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (Federal Form I-9), federal and state withholding certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

Effect: The School is not in compliance with New Mexico State Statutes in regards to employee record documentation.

Cause: The School is not reviewing the personnel files for compliance with State Statutes.

NEW MEXICO CONNECTIONS ACADEMY (CONTINUED)

2015-001 Personnel Files – (Compliance)(Continued)

Recommendation: The School should review all personnel files to ensure that required documentation required by NMAC 6.20.2.18 is available.

Management's Response: The school has procedures in place to review all personnel files for completed required documents for each school employee. The Business Manager will ensure that all files have been reviewed by December 31, 2015.

NEW MEXICO INTERNATIONAL SCHOOL

2014-005 Cash Receipts – (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During our testwork over cash receipts we noted several instances where a deposit was in excess of $100 and per review of the cash receipt supporting documentation the deposit was not made within the twenty-four hour requirement. We also noted instances in which a pre-numbered cash receipt was not available for our review and were therefore unable to determine if the cash receipt was deposited in the required time frame.

Criteria: NMAC 6.20.2.14.C requires that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. If the distance to the bank is considerable, or the cash collection is limited to small amounts and/or low volume and it is impractical to meet the twenty-four hour/one banking day requirement, the local board may request approval from the department for an alternative plan.

Effect: The School is not in compliance with the cash deposits compliance requirements as stated at NMAC 6.20.2.14.C.

Cause: Procedures were not in place to ensure timely deposit of cash receipts in accordance with NMAC 6.20.2.14.C.

Recommendation: Ensure deposits are made in accordance with NMAC 6.20.2.14.C.

Management's Response: Deposits within 24 hours: as a charter school with limited staffing and resources there are times when all office staff are busy assisting with other school duties, making it difficult to make timely deposits. Every effort is made to make deposits within the NMAC requirements as we understand not doing this increases the risk of loss and/or fraud – a risk we wish to keep at an absolute minimum.

Non-issuance of a cash receipt: cash receipts not delivered via mail in the form of checks had not been issued a receipt, with the assumption that checks treated fraudulently would be discovered quickly, thus discouraging fraud in this form. After our discussion with the auditors, we now see the risks involved

NEW MEXICO INTERNATIONAL SCHOOL (CONTINUED)

2014-005 Cash Receipts – (Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

with all forms of cash receipts, including checks not received by mail and such receipts are now being recorded in our mail log or are being issued a cash receipt.

2015-001 ERB Contributions and Reports (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: The New Mexico Educational Retirement Board (ERB) instructions for preparing the contribution form 100 report indicates that July and August accrued payrolls are to be included in the June form 100 report. The June 2015 reported submitted by the school did not include the July and August accrued payroll information. Further, the ERB requires that the contributions covered by the report are to be transmitted no later than the 15th of the month following the month covered by the report. The contributions related to the July and August accrued payrolls were transmitted in August and September.

Criteria: ERB instructions for preparing contribution form 100 report.

Effect: The School is not in compliance with the ERB rules for transmitting and reporting contributions and may be subject to penalties.

Cause: The School's new business manager was unaware of this requirement.

Recommendation: Ensure ERB contributions and reports are completed in accordance with the ERB rules and regulations.

Management's Response: The School's business manager has reread the ERB rules for Form 100 and is in the process of remedying this for fiscal year 2015 and will be following this requirement in all future years.

NEW MEXICO SCHOOL FOR THE ARTS

2015-001 Internal Control Structure- Noncompliance in accordance with the New Mexico State Audit Rule

Condition: During our internal control test work over a sample of 25 disbursements and 10 travel expenditures we noted a hotel charge for the amount of $825.61 that did not have proper documentation to support the charge. The School's finance department paid off an e-mail request from the Instructional Support Specialist.

NEW MEXICO SCHOOL FOR THE ARTS (CONTINUED)

2015-001 Internal Control Structure- Noncompliance in accordance with the New Mexico State Audit Rule (Continued)

Criteria: NMAC 6.20.2.11 (A) Internal Control Structure Standards, "Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition 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.

Effect: By not following applicable internal control procedures, the School is at risk of paying for services that are not allowable or valid expenditures. Such controls should be followed that preclude the School from paying more to a vendor than what is approved on the purchase order, making payments to a vendor/contractor without a proper invoice (or altered invoice), or paying off a quotation. This could result in funds being overspent and balances misstated. Also the proper maintenance of supporting documentation relating to financial transactions is necessary to mitigate possible dual payment of invoices and to resolve possible disputes with vendors, etc.

Cause: The School did not obtain all applicable information regarding the hotel charges that occurred.

Recommendation: Ensure the School follows internal controls over purchasing to ensure that all purchases are approved in accordance with School policies and procedures.

Management's Response: The school received a refund from the hotel in July 2015. However, for all future hotel payments, the school will issue a check to the employee who will hand deliver to the hotel for payment. The employee will then in turn submit the hotel receipt to the business office for check's supporting documentation.

2015-002 Internal Control Structure- Noncompliance in accordance with the New Mexico State Audit Rule

Condition: During our travel test work, we noted that a teacher took a trip with students and paid for various expenses related to the trip. Receipts were turned in for all charges except for two in the amounts of $51.21 and $16.31. As a result, the employee submitted the form "Affidavit of Lost or Unavailable Receipt." The form was completed but there was no approval by a member of the administration.

Criteria: NMAC 2.42.2.9 (B) (3) Receipts required, "Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board."

Effect: The school is not in compliance with NMAC 2.42.2.9.

NEW MEXICO SCHOOL FOR THE ARTS (CONTINUED)

2015-002 Internal Control Structure- Noncompliance in accordance with the New Mexico State Audit Rule (Continued)

Cause: The School has the applicable form in place for missing receipts but the School was not diligent in obtaining applicable approval for these missing receipts.

Recommendation: The School should continue utilizing the existing form in place at the School. In addition, review the form for reasonableness and make sure that it is signed off by the person submitting the form, and the agency head or a member of the governing board.

Management's Response: Although the administrator signed the check, the affidavit was missed in the process. For all future occurrences of lost receipts, the administrator will sign the form and the business manager will review to ensure completeness.

2015-003 Excess of Expenditures over Budget (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: The School has an expenditure function where actual expenditures exceeded budgetary authority:

Private Direct Grants	
Instruction	$796

Criteria: Per NMAC 6.20.2.9 (A) every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12.2, NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information. Budgetary control shall be at the function level. Over expenditure of a function shall not be allowed.

Effect: The School expenditures in the above function exceeded the total approved budgeted expenditures by $796.

Cause: Budgetary controls were not in place to adequately monitor and regularly compare budget to actual results. As a result, measures were not taken to avoid or minimize the amount that actual expenditures exceeded the approved budget for the School's Private Grants fund.

Recommendation: Budget adjustment requests should be presented to and approved by PED before expending funds in excess of budget. Controls should be implemented to ensure that budgeted amounts are compared to actual on a regular basis and the budget effectively utilized for controlling expenses and managing cash flow.

Management's Response: The school currently reviews the budget balances on a monthly basis and submits necessary BARs to the governance council for their approval.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

NORTH VALLEY ACADEMY

2014-002 Mileage Reimbursements – (Compliance)

Condition: In a sample of three travel reimbursements tested, there was one instance where an employee was reimbursed for mileage at a rate above those that are established by the State of New Mexico Per Diem and Mileage Act. The employee was reimbursed fifty six cents per mile. It is estimated that the employee was over reimbursed by $18.48.

Criteria: NMAC 2.42.2.11 (B) (1) states public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the official discharge of official duties as follows: "unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle."

Effect: The North Valley Academy is not in compliance with New Mexico State Statutes in regards to mileage reimbursement.

Cause: The North Valley Academy contends that it is a Local Public Body and not a State Agency. As a Local Public Body, the school contends that it may reimburse mileage at the full amount authorized by the IRS. The New Mexico Public Education Department (PED) has indicated to the auditors that charter schools chartered under PED are a component unit of PED and should reimburse mileage at the rate approved for a state agency.

Recommendation: The School should reimburse mileage at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management's Response: North Valley Academy does not agree with PED's classification of state authorized charters as a state agency. Statutory support has been provided to the auditors to support North Valley Academy's assertion that a charter school is a local public body, which enables the school to pay up to 100% of the prior year IRS mileage rate. In order to avoid a repeat audit finding in the future, the school will reimburse its employees at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle. The business manager will be responsible for the implementation of this policy. Implementation will be completed by December 31st.

Auditor's Rebuttal: It has been determined that the school is a component unit of the New Mexico Public Education Department. Because the school is a component unit of a State Agency, it must follow state statutes which limit mileage reimbursements to 80% of the Internal Revenue Service standard mileage rate.

NORTH VALLEY ACADEMY (CONTINUED)

2015-001 Procurement Documentation – (Significant Deficiency)

Condition: During our test-work of sixty cash disbursements we noted three disbursements ($161.56, $3,030.00 and $4,087.55) where the purchase order was prepared subsequent to the vendor's invoice date.

Criteria: Section NMAC 6.20.2.17 (A), requires that each school shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, states that "the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction."

Effect: Not being in compliance with state purchasing requirements places the School at risk for fraud or misuse of public funds.

Cause: School personnel did not follow established procurement policies of the School.

Recommendation: The School should maintain supporting documentation for all cash disbursements. All School personnel should be reminded that initiation of a purchase order is not sufficient for ordering; that an approved Purchase Order is required per School and State guidelines.

Management's Response: The Business Manager will review internal procedures with all staff to ensure that purchases do not occur prior to the issuance of a Purchase Order. This will be completed by December 31st.

2015-002 Timely Deposits (Compliance)

Condition: During our cash receipts testing, we selected fifteen activity fund deposits for testing. In this testing we noted one deposit of $160.00 in where several of the individual receipts were not deposited within twenty-four (24) hours after being received

Criteria: Per NMAC 6.20.2.14.B states that "money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day."

Effect: The School is not in compliance with State statute and has exposed itself to possible misappropriation of funds.

Cause: There is a lack of adequate controls over cash and cash receipts.

NORTH VALLEY ACADEMY (CONTINUED)

2015-002 Timely Deposits (Compliance)(Continued)

Recommendation: The School should implement policies and procedures that track and maintain all items relating to cash receipts and ensure deposits are made timely.

Management's Response: The Business Manager will review the twenty-four hour deposit requirements with the appropriate personnel. In addition, a back-up procedure will be established in case of an employee absence that would prohibit funds to be deposited timely. This will be completed by December 31st.

RALPH J. BUNCHE ACADEMY

2015-001 Budgetary Condition – (Compliance)

Condition: The School had a fund where actual expenditures exceeded budgetary authority:

Operational Fund – Support Services	$42,487

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22- 8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts the function is the legal level of control.

Effect: The school is out of compliance with State Law and the control established by the use of budgets has been compromised.

Cause: A budget adjustment request was never submitted to account for the additional expenditures incurred.

Recommendation: The School should establish a policy of budgetary review at year-end and make the necessary budgetary adjustments.

Management's Response: The School has ceased operations. Management was not available to respond.

2015-002- PED Cash Report- (Compliance)

Condition: A New Mexico Department of Public Education (PED) cash report was not available for June 30, 2015.

Criteria: According to State regulation 6.20.2.11 (B) (6), NMAC and Regulation SBE-6, the reports sent to the New Mexico Public Education Department (PED) must agree to the general ledger. Per the New Mexico State Audit Rule, the audit report of each school district shall include a cash reconciliation

RALPH J. BUNCHE ACADEMY (CONTINUED)

2015-002- PED Cash Report- (Compliance)(Continued)

schedule which reconciled the cash balance as of the end of the previous fiscal year to the cash balance at the end of the current fiscal year.

Effect: PED may not have an accurate reflection of the school's cash balances.

Cause: The School closed at the end of fiscal year 2014. Financial activity in fiscal year 2015 was for the purpose of paying out liabilities incurred up to the time of the school's closure. The school did not think PED cash reports were required as the school is now closed.

Recommendation: The School should prepare PED cash reports or obtain written permission from PED that the cash reports no longer need to be filed.

Management's Response: The School has ceased operations. Management was not available to respond.

RED RIVER VALLEY CHARTER SCHOOL

2015-001 Procurement (Non-compliance in Accordance with the New Mexico State Audit Rule)

Condition: The School does not have a chief procurement officer.

Criteria: NMSA 13-1-95.2 states "On or before January 1, 2015, the state purchasing agent shall establish a certification program for chief procurement officers that includes initial certification and recertification every two years for all chief procurement officers. In order to be recertified, a chief procurement officer shall pass a recertification examination approved by the secretary of general services."

Effect: The School is not in compliance with NMSA 13-1-95.2.

Cause: Due to the size of the School, it's difficult to find an individual with available time to go through the certification process.

Recommendation: Ensure an individual from the School or associated with the School completes the certification program for chief procurement officers.

Management's Response: Red River Valley Charter School has already made arrangements through its business manager to contract with a procurement officer, who is qualified under the state's certification program for chief procurement officers, on an as-needed basis. The business manager and principal have resolved this issue as of October 2015.

RED RIVER VALLEY CHARTER SCHOOL (CONTINUED)

2015-002 Payroll (Significant Deficiency, Non-compliance in Accordance with the New Mexico State Audit Rule)

Condition: During our testwork over payroll expenditures we found two employees that were working more than 25% of a full time equivalent (FTE) but were not contributing to the New Mexico Education Retirement Board (NMERB).

Criteria: Employees working more than 25% of a FTE are considered Educational Retirement Act covered employees.

Effect: The School is not in compliance with the Educational Retirement Act and the employees and the School are not making required contributions.

Cause: Internal controls were not in place to ensure employees working more than 25% of a FTE were making the required contributions to the NMERB.

Recommendation: Implement internal controls to ensure all employees working more than 25% of a FTE are making the required contributions to the NMERB. When employees change their percentage of time worked, ensure these changes are properly reflected in the payroll system.

Management's Response: The Red River Valley Charter School business manager has already implemented changes in the payroll procedures in FY16 to ensure all employees working more than 25% of an FTE are making the required contributions to the NMERB. The business manager has implemented these changes as of October 2015.

2015-003 Cash Receipts (Non-compliance in Accordance with the New Mexico State Audit Rule)

Condition: The School's cash receipts policy states the person collecting lunch fees (cashier) shall count money collected on a daily basis, prepare the cafeteria cash fund report, and submit each to the secretary. It goes on to state that the secretary shall verify the amount collected and prepare a receipt to the cashier. Based on our review of cash receipts, a report is prepared on a daily basis; however, the secretary does not prepare a receipt to the cashier verifying the amount collected.

Criteria: NMAC 6.20.2 states "School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations."

Effect: The School is not in compliance with their cash receipts policy.

Cause: Internal policies and procedures are not being followed.

RED RIVER VALLEY CHARTER SCHOOL (CONTINUED)

2015-003 Cash Receipts (Non-compliance in Accordance with the New Mexico State Audit Rule)(Continued)

Recommendation: Ensure that cash receipts from the lunch program are properly handled. The secretary should verify the amount collected and prepare a receipt to the cashier.

Management's Response: Red River Valley Charter School management will implement procedures for the handling of school lunch program cash receipts and the preparation of daily cashier lunch receipts by January 1, 2016. The School's principal and office manager are responsible for correcting this finding.

2015-004 Annual Inventory (Non-compliance in Accordance with the New Mexico State Audit Rule)

Condition: The School did not perform an annual inventory of its capital assets during fiscal year 2015.

Criteria: Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of moveable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors.

Effect: The School is not in compliance with state requirements regarding capital asset inventory.

Cause: Internal controls are not in place to ensure an annual inventory is performed.

Recommendation: On an annual basis, complete an inventory of the School's capital assets.

Management's Response: Red River Valley Charter School will conduct an inventory of the School's capital assets before the end of the current fiscal year. The School's principal is responsible for correcting this finding and the School expects to have this corrected by the end of the current fiscal year 2016.

SAGE MONTESSORI CHARTER SCHOOL

2014-002 Personnel Files (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During our testwork over a sample of 25 payroll transactions, we noted the following:

- Four employees whose background check was not on file.
- Four employees whose I-9 was not on file.
- Two employees whose W-4 was not on file.

This finding was reported in 2014 and the School is in the process of ensuring all required documents are maintained.

SAGE MONTESSORI CHARTER SCHOOL (CONTINUED)

2014-002 Personnel Files (Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

Criteria: Per NMAC 6.20.2.18 the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

Effect: The School is not in compliance with NMAC 6.20.2.18 in regards to maintaining employee records and documentation.
Cause: Internal controls were not in place to ensure required documentation is obtained and/or maintained for all employees.

Recommendation: Personnel files should be periodically reviewed to ensure all required personnel file documents have been obtained and are complete and accurate. The School should ensure controls are in place to obtain required payroll documents when employees initially begin employment.

Management's Response: A review of procedures over employee files will be completed to confirm that each employee's file is complete. The administrative staff and business manager will be responsible for ensuring that employee files are completed and the School expects to have this implemented by January 2016.

2015-001 Procurement Code and Internal Control Structure (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During our internal control testwork over a sample of 25 cash disbursements we noted the following:

- One instance where the School did not go out to bid for non-professional services to rent classroom furniture. Total amount paid to the vendor was $27,067 during the year.
- The School incurred a late fee of $98 for paying their November 2014 furniture rental invoice late.

Criteria: Per NMAC 6.20.2.17 each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. Purchasing policies and procedures for grant funding shall comply with requirements established within the grant and the Procurement Code. An internal control structure over purchasing shall be established and maintained to assure compliance with school district policy, and state and federal regulations. NMSA Article I, Section 13-1-104 states Central purchasing offices shall send copies of the notice or invitation for bids involving the expenditure of more than twenty thousand dollars

SAGE MONTESSORI CHARTER SCHOOL (CONTINUED)

2015-001 Procurement Code and Internal Control Structure (Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

($20,000) to those businesses that have signified in writing an interest in submitting bids for particular categories of items of tangible personal property, construction and services and that have paid any required fees.

All funds allocated to the School are to be spent on allowable expenditures in accordance with NMAC 6.20.2. Sound business practices require that payments to vendors be made timely per OMB Circular A-87, fines, penalties, damages or other settlements resulting from violations of, or failure of the governmental unit to comply with, Federal, State, Local of Indian tribal laws and regulations are unallowable.

Effect: The School could be overpaying for services and/or goods due to not following their procurement policies and incurring additional expenses by not paying invoices in a timely manner.

Cause: Internal controls were not in place to ensure the School's procurement policy was properly followed. Regarding the late payment, it was not submitted timely causing the School to incur a penalty.

Recommendation: For nonprofessional purchases between $20,000 and $60,000, the School should solicit no fewer than three businesses via written requests containing the specifications for the procurement. In addition, implement an internal control system to ensure that payments are processed and paid timely.

Management's Response: Because of the facility, the School opened a second campus for half of the year. Additional furniture and equipment was needed because of the second campus. The school did research on various options available to supply the second facility. The governing council was kept informed throughout the process. Because of issues incurred with this transition the late fee was incurred. The school does have policies and procedures in place and will ensure they get implemented and that all bills get paid in a timely manner. The administrative staff and business manager will be responsible for following procurement procedures and expect this to be implemented by January 2016.

2015-002 Payroll Transactions (Significant Deficiency and Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: During our testwork over a sample of 25 payroll transactions, we noted the following:

- For nine employees reviewed, the School was improperly calculating employee and employer taxes for certain insurances. The School treated employee health insurance deductions as a post-tax deduction and treated employee vision and dental deductions as a pre-tax deduction.
- An employee was paid as a Level II teacher when they should have been paid as a Level I teacher which resulted in a $10,417 overpayment. School personnel discovered the mistake and the

SAGE MONTESSORI CHARTER SCHOOL (CONTINUED)

2015-002 Payroll Transactions (Significant Deficiency and Non-Compliance in Accordance with the New Mexico State Audit Rule)(Continued)

employee is repaying the School for the overpayment. However, the repayment terms do not account for overpayments related to retirement contributions, employer taxes, etc. In addition, the employee is paying additional taxes due to this error.

- The School did not get approval for a return to work employee.

Criteria: Per NMAC 6.20.2.18 the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. To participate in the return-to-work program, an application must be submitted and approved by the New Mexico Educational Retirement Board.

Effect: The School incurred unnecessary expenditures and did not follow the return-to-work policy guidelines.

Cause: The School is not treating insurance deductions in a consistent manner and also paid one teacher at a higher pay level then what should have been paid. When requiring the employee to repay the School, the School did not handle the situation correctly to ensure all overpayments were repaid. Internal controls were not in place to ensure approval was obtained for a return-to-work employee.

Recommendation: Implement internal controls to ensure deductions are properly calculated and teachers are paid at the correct level. An application, which can be obtained from the ERB website, should be completed and approved prior to employing a return-to-work employee.

Management's Response: A review of the correct tax withholding is currently being undertaken. Our research indicates that without a section 125 cafeteria plan, the health insurance are post tax deductions. This will be verified and the correct tax determination will be implemented. Processes to review correct teacher pay and ERB status will be implemented. The business manager will be responsible for implementing the correct deductions and the School plans on having them in the system by March 2016.

SAGE MONTESSORI CHARTER SCHOOL (CONTINUED)

2015 – 003 Excess of Expenditures over Budget - (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: The School has expenditure functions where actual expenditures exceeded budgetary authority:

Federal Charter Planning	
Instruction	$14,851
Central Services	$ 5,000
Teacher Principal Training	
School Administration	$125

Criteria: Per NMAC 6.20.2.9 (A) every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12.2, NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information. Budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed.

Effect: The School's expenditures in the above functions exceeded the total approved budgeted expenditures.

Cause: Budgetary controls were not in place to adequately monitor and regularly compare budget to actual results. As a result, measures were not taken to avoid or minimize the amount that actual expenditures exceeded the approved budget for the School's Federal Charter School Planning and Teacher/Principal Training funds.

Recommendation: Budget adjustment requests should be presented to and approved by PED before expending funds in excess of the budget. Controls should be implemented to ensure that budgeted amounts are compared to actual on a regular basis and the budget effectively utilized for controlling expenses and managing cash flow.

Management's Response: The Public Education Department (PED) would not allow the School to enter a budget adjustment request (BAR) for the fund 24146 since the grant had been closed. Even though the fund had been closed, PED did not wire the School the money from request for reimbursements (RfR) in the previous year until this fiscal year. The School paid the remaining invoices upon receipt of the funds from the RfR's submitted in fiscal year 2014. The School does have policies and procedures in place and they will be implemented. The business manager will be responsible for ensuring that the budgetary controls are in place and expect to have them in place by June 2016.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SCHOOL OF DREAMS ACADEMY

2014-001 Per Diem and Mileage Act (Other Matter)

Condition: Through testing procedures performed, we identified the following instance of noncompliance:

- In 3 of 10 travel and per diem reimbursements tested, the employee was reimbursed at the maximum per diem amount allowable ($30 in-state, $45 out-of-state), amounting to total reimbursements of $285. The employee did not provide receipts for actual meal expenses for reimbursement.
- In 1 of 10 travel and per diem reimbursements tested, the employee was reimbursed at the maximum allowable out of-state rate of $45 per day, amounting to $180; however the employee was traveling in-state, and therefore should only have been reimbursed up to $30 per day. The employee did not provide receipts for actual meal expenses for reimbursement.

Management has demonstrated a lack of progress in implementing the prior year corrective action plan.

Criteria: According to NMAC 2.42.2.9(B)(2) and NMAC 2.42.2.9(B)(3) and the School of Dreams Academy's (SODA) Internal Control Policies manual, receipts must be provided for meals, and the total amount per day must not exceed $30 for in-state travel, and $45 for out-of-state travel. Meals should be reimbursed based on the actual amount expended, not at the daily maximum amount provided for in the Per Diem and Mileage Act.

Effect: SODA is not in compliance with the Per Diem and Mileage Act, nor is SODA in compliance with its own Internal Control Policy manual, and may have reimbursed the employee in excess of what the employee actually expended for meals.

Cause: SODA does not have an adequate understanding of the Per Diem and Mileage Act.

Recommendation: We recommend that SODA review the Per Diem and Mileage Act, and its own internal control policies manual on a regular basis to ensure employees understand and comply with the rules and regulations governing reimbursement for these types of expenditures.

Management's Response: Audit Committee reviewed and has re-addressed that actual receipt to be turned in so that the School of Dreams Academy is in compliance with the Per Diem and Mileage Act. This will be included in the annual staff return training. This has been implemented October 2015.

2015-001 Controls over Cash Disbursements (Other Matter)

Condition: Through testing procedures performed, we noted the following:

- In a sample of 25 disbursements tested, we noted one instance where the invoice was dated prior to the purchase order.

SCHOOL OF DREAMS ACADEMY (CONTINUED)

2015-001 Controls over Cash Disbursements (Other Matter)(Continued)

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and main an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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.

Effect: Without proper approval, purchases for unauthorized goods or services may occur.

Cause: Processes and procedures in place were by-passed by those involved in the purchasing process.

Recommendation: We recommend that SODA develop and implement internal controls over purchasing procedures to ensure that all purchases are approved in accordance with SODA policies and procedures. Goods and/or services should not be ordered by the Administrative Assistant or Prinicpal until all required authorizing signatures are obtained.

Management's Response: The audit committee has review and will continue to implement and improve procedures to address the purchase request be completed, then the purchase order be approved before any services or good are ordered. This has been implemented October 2015.

2015-002 Expenditures Exceed Budget (Other Matter)

Condition: The Charter has expenditure functions where actual expenditures exceeded budgetary authority:

Fund	Excess of Expenditures over Appropriations
Title I IASA (24101)	
Support Services – Students	$ (500)
Early College High School	
Support Services – Instruction	$ (13,038)

Criteria: According to 6.20.2.9 NMAC, budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed.

Effect: The Charter is non-compliant with State Law.

Cause: A budget adjustment request was not submitted to account for additional expenditures incurred.

SCHOOL OF DREAMS ACADEMY (CONTINUED)

2015-002 Expenditures Exceed Budget (Other Matter)(Continued)

Recommendation: We recommend that SODA establish a policy of budgetary review at year-end to make the necessary budgetary adjustments.

Management's Response: The audit committee has re-viewed. BAR's for this was issued to the NMPED, the approval process did not get released due to the short turnaround time. This will be addressed to set an end purchase ordered date in March to all orders are received and any transfer needed will be completed in sufficient time for NMPED.

SOUTHWEST AERONAUTICS, MATHEMATICS, AND SCIENCE ACADEMY

2014-001 Lack of Internal Controls over Accounting Records (Material Weakness)

Condition: In the prior year audit of the Southwest Aeronautics, Mathematics and Science Academy (SAMS), we were unable to obtain sufficient appropriate audit evidence to perform audit procedures over the following areas: cash, accounts receivable, capital assets, accounts payable, accrued liabilities, fund balance/net assets, revenue, and expenditures. In the current fiscal year, the SAMS hired a third party consulting firm to assist with the SAMS's daily accounting and also to resolve its finding related to internal controls. In the current year audit, we were able to obtain sufficient appropriate audit evidence surrounding cash, accounts receivable, accounts payable, and fund balance/net assets. There has been progress surrounding the accounting records and we were able to review ten months' worth of records as well as account reconciliations. However, the SAMS was unable to provide supporting documentation to support the reported balances as a whole and its funds.

During our testwork over internal controls, we noted the following discrepancies:

- Management was unable to provide two of the twenty-nine cash disbursement transactions selected for sample amounting to $901.
- Management was unable to provide six of the thirty personnel files for pay checks amounting to $3,717.
- In two out of thirty payroll disbursements tested, the employee's annual contract amount divided by the number of installment payments did not equal the gross pay per the payroll register resulting in a total difference of $992.
- Outstanding checks in the School's checking account include four checks totaling $461 which have been outstanding more than ninety days.
- The School was unable to provide a listing of capital assets

Per our inquiry with the current business manager and correspondence with the Office of the State Auditor (OSA) any documents that the SAMS did have were seized by the Federal Bureau of Investigation (FBI) in August 2014 as they are investigating potential fraud of substantial payments of

SOUTHWEST AERONAUTICS, MATHEMATICS, AND SCIENCE ACADEMY (CONTINUED)

2014-001 Lack of Internal Controls over Accounting Records (Material Weakness)(Continued)

public funds to the private business of the schools previous Head Administrator. As such, we were unable to apply audit procedures and are unable to provide an audit opinion on the SAMS.

Criteria: Pursuant to 6.20.2.11, every school shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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, and that state and federal programs are managed in compliance with applicable laws and regulations. Additionally, pursuant to 6.20.2.13, the school shall maintain adequate accounting records, prepare financial statements in accordance with GAAP (specifically, GASB 34), and provide complete, accurate, and timely information to the independent public accountant (IPA) as requested. *Effect:* The SAMS lack of internal control over accounting records limits management's ability to monitor the accuracy of transactions and provide assurance with respect to public funds. Also, when sufficient controls are not designed, implemented and operating effectively, it increases the risk of financial misstatements going undetected and an increased risk of theft or fraud.

Cause: The SAMS records were in disarray as the previous Head Administrator did not maintain complete and accurate records. Any documentation the SAMS did have were seized by the FBI as part of their investigation related to the previous Head Administrator.

Recommendation: We recommend that the SAMS design and implement controls to ensure adequate accounting records are maintained, complete, and reconciled timely in order to provide complete, accurate, and timely information to the IPA. Furthermore, the SAMS should establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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, and that state and federal programs are managed in compliance with applicable laws and regulations.

Management's Response: The school has hired a new administrator along with new contracted business managers. The NM Public Education Department has also taken over the school's Board of Finance. The individuals assigned to work on the financial issues of the school are working together to develop an internal control environment and structure that will safeguard the assets of the school while maintaining compliance with legal and regulatory requirements and appropriately recording and reporting financial activities of the school.

SOUTHWEST AERONAUTICS, MATHEMATICS, AND SCIENCE ACADEMY (CONTINUED)

2014-002 State Audit Rule (Non Compliance)

Condition: As noted within finding 2014-001, during our testwork over Southwest Aeronautics, Mathematics and Science Academy (SAMS), we were unable to obtain sufficient appropriate audit evidence to perform audit procedures over account balances in the prior year audit.

- Procurement Code (Sections 13-1-1 to 13-1-199 NMSA 1978) and State Purchasing Regulations 1.4.1 NMAC;
- Per Diem and Mileage Act (Sections 10-8-1 to 10-8-8 NMSA 1978), Regulations Governing the Per Diem and Mileage Act, and 2.42.2.11 NMAC;
- Public Money (Sections 6-10-1 to 6-10-63 NMSA 1978);
- Public School Finance Act (Sections 22-8-1 to 22-8-48 NMSA 1978);
- Investment of Public Money (Sections 6-8-1 to 6-8-21 NMSA 1978);
- Educational Retirement Act (Sections 22-11-1 to 22-11-55 NMSA 1978);
- Sale of Public Property (Sections 13-6-1 to 13-6-8 NMSA 1978);
- Anti-Donation Clause (NM Constitution Article IX, Section 14);
- Budget Compliance (Sections 22-8-5 through 22-8-12.2, NMSA 1978);
- Lease Purchase Agreements (New Mexico Constitution Article IX, Section 8 and 11; Sections 6-6-11 to 6-6-12 NMSA 1978; Montano v. Gabaldon, 108 NM 94, 766 P.2d 1328, 1989);
- Retiree Health Care Authority Act (Section 10-7C-1 to 10-7C-19 NMSA 1978);
- Compliance with PED Regulation Section 6.20.2 NMAC, *Governing Budgeting and Accounting for New Mexico Public Schools and School Districts* and the *Manual of Procedures*, primarily Supplement 7, *Cash Controls*;
- Inclusion of the cash reconciliation schedule which reconciles the cash balance as of the end of the previous fiscal year to the cash balance as of the end of the current fiscal year (Section 2.2.2.12 C (4)(b));
- New Mexico Public Schools Insurance Authority (NMPSIA) (Section 2.2.2.12 C (6))
- Annual Physical Inventory (Section 12-6-10 NMSA 1978)

As mentioned in the condition of finding 2014-001, the SAMS has hired a third party consulting firm to assist with the its daily accounting and resolve its finding related to State Auditor compliance. However, we were noted the following deficiencies related to State Auditor compliance testwork:

- SAMS is not using 80 percent of the standard mileage rate causing a mileage reimbursement excess of $48.
- Management was unable to provide sufficient evidence of the board's approved budget.
- Management was unable to provide two out of the twelve Educational Retirement Board (ERB) Contribution Forms to test for compliance with the New Mexico State Auditor Rule.
- Management was unable to provide three out of the twelve Retiree Health Care Act (RHCA) Contribution Forms to test for compliance with the New Mexico State Auditor Rule.

SOUTHWEST AERONAUTICS, MATHEMATICS, AND SCIENCE ACADEMY (CONTINUED)

2014-002 State Audit Rule (Non Compliance)(Continued)

- We noted that in three out of thirty payroll transactions tested, the employee's portion of their Educational Retirement Board contribution was calculated at the incorrect contribution rate causing an overstatement of $44.
- Because the School did not provide pledged collateral documentation, it appears that the SAMS was under collateralized by $504,335 at June 30, 2015.
- In the cash receipt tested, the deposit totaling $35 was not made within twenty-four hours of receipt.
- The School did not perform an annual physical inventory during the year

Criteria: Pursuant to 6.20.2.13, the school shall maintain adequate accounting records, prepare financial statements in accordance with GAAP (specifically, GASB 34), and provide complete, accurate, and timely information to the independent public accountant (IPA) as requested.

Effect: The SAMS is not in compliance with State law.

Cause: The SAMS records were in disarray as the previous Head Administrator did not maintain complete and accurate records. Any documentation the SAMS did have were seized by the FBI as part of their investigation related to the previous Head Administrator.

Recommendation: We recommend that the SAMS design and implement controls to ensure adequate accounting records are maintained, complete, and reconciled timely in order to provide complete, accurate, and timely information to the IPA.

Management's Response: The school's new administrator along with new contracted business managers and the NM Public Education Department are working to ensure records are maintained to document compliance with legal and regulatory requirements and appropriate recording and reporting of financial activities of the school. In addition, the new administration working with its governing council and finance committee review financial activity to ensure appropriate accountability for the school and maintenance of documentation to be available to the IPA.

SOUTHWEST INTERMEDIATE LEARNING CENTER

2014-001 Lack of Internal Controls over Accounting Records (Material Weakness)

Condition: In the prior year audit of the Southwest Intermediate Learning Center (SILC), we were unable to obtain sufficient appropriate audit evidence to perform audit procedures over the following areas: cash, accounts receivable, capital assets, accounts payable, accrued liabilities, fund balance/net assets, revenue, and expenditures. In the current fiscal year, the SILC hired a third party consulting firm to assist with the SILC's daily accounting and also to resolve its finding related to internal controls. In the

SOUTHWEST INTERMEDIATE LEARNING CENTER (CONTINUED)

2014-001 Lack of Internal Controls over Accounting Records (Material Weakness)(Continued)

current year audit, we were able to obtain sufficient appropriate audit evidence surrounding cash, accounts receivable, accounts payable, and fund balance/net assets. There has been progress surrounding the accounting records and we were able to review ten months' worth of records as well as account reconciliations. However, the SILC was unable to provide supporting documentation to support the reported balances as a whole and its funds.

During our testwork over internal controls, we noted the following discrepancies:

- Management was unable to provide two of the thirty cash disbursement transactions selected for testing amounting to $9,024.
- Two transactions out of thirty tested amounting to $1,099, the purchase order was not properly authorized, indicating that the purchase was not properly approved before it was made.
- Management was unable to provide nine of the thirty personnel files for pay checks amounting to $5,988.
- Outstanding checks in the School's checking account include four checks totaling $1,619 which have been outstanding more than ninety days.
- The School was unable to provide a listing of capital assets

Per our inquiry with the current business manager and correspondence with the Office of the State Auditor (OSA) any documents that the SILC did have were seized by the Federal Bureau of Investigation (FBI) in August 2014 as they are investigating potential fraud of substantial payments of public funds to the private business of the schools previous Head Administrator. As such, we were unable to apply audit procedures and are unable to provide an audit opinion on the SILC.

Criteria: Pursuant to 6.20.2.11, every school shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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, and that state and federal programs are managed in compliance with applicable laws and regulations. Additionally, pursuant to 6.20.2.13, the school shall maintain adequate accounting records, prepare financial statements in accordance with GAAP (specifically, GASB 34), and provide complete, accurate, and timely information to the independent public accountant (IPA) as requested.

Effect: The SILC lack of internal control over accounting records limits management's ability to monitor the accuracy of transactions and provide assurance with respect to public funds. Also, when sufficient controls are not designed, implemented and operating effectively, it increases the risk of financial misstatements going undetected and an increased risk of theft or fraud.

SOUTHWEST INTERMEDIATE LEARNING CENTER (CONTINUED)

2014-001 Lack of Internal Controls over Accounting Records (Material Weakness)(Continued)

Cause: The SILC records were in disarray as the previous Head Administrator did not maintain complete and accurate records. Any documentation the SILC did have were seized by the FBI as part of their investigation related to the previous Head Administrator.

Recommendation: We recommend that the SILC design and implement controls to ensure adequate accounting records are maintained, complete, and reconciled timely in order to provide complete, accurate, and timely information to the IPA. Furthermore, the SILC should establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, 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, and that state and federal programs are managed in compliance with applicable laws and regulations.

Management's Response: The school has hired a new administrator along with new contracted business managers. The NM Public Education Department has also taken over the school's Board of Finance. The individuals assigned to work on the financial issues of the school are working together to develop an internal control environment and structure that will safeguard the assets of the school while maintaining compliance with legal and regulatory requirements and appropriately recording and reporting financial activities of the school.

2014-002 State Audit Rule (Non Compliance)

Condition: As noted within finding 2014-001, during our testwork over Southwest Intermediate Learning Center (SILC), we were unable to obtain sufficient appropriate audit evidence to perform audit procedures over account balances in the prior year audit.

- Procurement Code (Sections 13-1-1 to 13-1-199 NMSA 1978) and State Purchasing Regulations 1.4.1 NMAC;
- Per Diem and Mileage Act (Sections 10-8-1 to 10-8-8 NMSA 1978), Regulations Governing the Per Diem and Mileage Act, and 2.42.2.11 NMAC;
- Public Money (Sections 6-10-1 to 6-10-63 NMSA 1978);
- Public School Finance Act (Sections 22-8-1 to 22-8-48 NMSA 1978);
- Investment of Public Money (Sections 6-8-1 to 6-8-21 NMSA 1978);
- Educational Retirement Act (Sections 22-11-1 to 22-11-55 NMSA 1978);
- Sale of Public Property (Sections 13-6-1 to 13-6-8 NMSA 1978);
- Anti-Donation Clause (NM Constitution Article IX, Section 14);
- Budget Compliance (Sections 22-8-5 through 22-8-12.2, NMSA 1978);
- Lease Purchase Agreements (New Mexico Constitution Article IX, Section 8 and 11; Sections 6-6-11 to 6-6-12 NMSA 1978; Montano v. Gabaldon, 108 NM 94, 766 P.2d 1328, 1989);
- Retiree Health Care Authority Act (Section 10-7C-1 to 10-7C-19 NMSA 1978);

SOUTHWEST INTERMEDIATE LEARNING CENTER (CONTINUED)

2014-002 State Audit Rule (Non Compliance)(Continued)

- Compliance with PED Regulation Section 6.20.2 NMAC, *Governing Budgeting and Accounting for New Mexico Public Schools and School Districts* and the *Manual of Procedures*, primarily Supplement 7, *Cash Controls*;
- Inclusion of the cash reconciliation schedule which reconciles the cash balance as of the end of the previous fiscal year to the cash balance as of the end of the current fiscal year (Section 2.2.2.12 C (4)(b));
- New Mexico Public Schools Insurance Authority (NMPSIA) (Section 2.2.2.12 C (6))
- Annual Physical Inventory (Section 12-6-10 NMSA 1978)

As mentioned in the condition of finding 2014-001, the SILC has hired a third party consulting firm to assist with the its daily accounting and resolve its finding related to State Auditor compliance. However, we were noted the following deficiencies related to State Auditor compliance testwork:

- Management was unable to provide sufficient evidence of the board's approved budget.
- Management was unable to provide three out of the twelve Educational Retirement Board (ERB) Contribution Forms to test for compliance with the New Mexico State Auditor Rule.
- Management was unable to provide two out of the twelve Retiree Health Care Act (RHCA) Contribution Forms to test for compliance with the New Mexico State Auditor Rule.
- We noted that in eleven out of thirty payroll transactions tested, the employee's portion of their Educational Retirement Board contribution was calculated at the incorrect contribution rate causing an overstatement of $106.
- In one out of two cash receipts tested, the deposit totaling $24 was not made within twentyfour hours of receipt.
- The School had $1,573 in actual expenditures in excess of budgetary authority in the capital outlay function of the Public Schools Capital Outlay fund.
- Because the School did not provide pledged collateral documentation, it appears that the SILC was under collateralized by $280,176 at June 30, 2015.
- The School did not perform an annual physical inventory during the year

Criteria: Pursuant to 6.20.2.13, the school shall maintain adequate accounting records, prepare financial statements in accordance with GAAP (specifically, GASB 34), and provide complete, accurate, and timely information to the independent public accountant (IPA) as requested.

Effect: The SILC is not in compliance with State law.

Cause: The SILC records were in disarray as the previous Head Administrator did not maintain complete and accurate records. Any documentation the SILC did have were seized by the FBI as part of their investigation related to the previous Head Administrator.

SOUTHWEST INTERMEDIATE LEARNING CENTER (CONTINUED)

2014-002 State Audit Rule (Non Compliance)(Continued)

Recommendation: We recommend that the SILC design and implement controls to ensure adequate accounting records are maintained, complete, and reconciled timely in order to provide complete, accurate, and timely information to the IPA.

Management's Response: The school's new administrator along with new contracted business managers and the NM Public Education Department are working to ensure records are maintained to document compliance with legal and regulatory requirements and appropriate recording and reporting of financial activities of the school. In addition, the new administration working with its governing council and finance committee review financial activity to ensure appropriate accountability for the school and maintenance of documentation to be available to the IPA.

SOUTHWEST PRIMARY LEARNING CENTER

2014-001 Lack of Internal Controls over Accounting Records (Material Weakness)

Condition: In the prior year audit of the Southwest Primary Learning Center (SPLC), we were unable to obtain sufficient appropriate audit evidence to perform audit procedures over the following areas: cash, accounts receivable, capital assets, accounts payable, accrued liabilities, fund balance/net assets, revenue, and expenditures. In the current fiscal year, the SPLC hired a third party consulting firm to assist with the SPLC's daily accounting and also to resolve its finding related to internal controls. In the current year audit, we were able to obtain sufficient appropriate audit evidence surrounding cash, accounts receivable, accounts payable, and fund balance/net assets. There has been progress surrounding the accounting records and we were able to review ten months' worth of records as well as account reconciliations. However, the SPLC was unable to provide supporting documentation to support the reported balances as a whole and its funds.

During our testwork over internal controls, we noted the following discrepancies:

- Management was unable to provide four of the thirty-three cash disbursement transactions selected for testing amounting to $11,227.
- One transaction out of thirty-three disbursements tested amounting to $53, the purchase order was dated subsequent to the vendor invoice.
- Management was unable to provide two of the thirty personnel files for pay checks amounting to $1,483.
- In one out of thirty payroll disbursement transactions tested, the employee's annual contract was not signed by the Head Administrator.
- Outstanding checks in the School's checking account include five checks totaling $1,929 which have been outstanding more than ninety days.
- The School was unable to provide a listing of capital assets

SOUTHWEST PRIMARY LEARNING CENTER (CONTINUED)

2014-001 Lack of Internal Controls over Accounting Records (Material Weakness)(Continued)

Per our inquiry with the current business manager and correspondence with the Office of the State Auditor (OSA) any documents that the SPLC did have were seized by the Federal Bureau of Investigation (FBI) in August 2014 as they are investigating potential fraud of substantial payments of public funds to the private business of the schools previous Head Administrator. As such, we were unable to apply audit procedures and are unable to provide an audit opinion on the SPLC.

Criteria: Pursuant to 6.20.2.11, every school shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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, and that state and federal programs are managed in compliance with applicable laws and regulations. Additionally, pursuant to 6.20.2.13, the school shall maintain adequate accounting records, prepare financial statements in accordance with GAAP (specifically, GASB 34), and provide complete, accurate, and timely information to the independent public accountant (IPA) as requested. *Effect:* The SPLC lack of internal control over accounting records limits management's ability to monitor the accuracy of transactions and provide assurance with respect to public funds. Also, when sufficient controls are not designed, implemented and operating effectively, it increases the risk of financial misstatements going undetected and an increased risk of theft or fraud.

Cause: The SPLC records were in disarray as the previous Head Administrator did not maintain complete and accurate records. Any documentation the SPLC did have were seized by the FBI as part of their investigation related to the previous Head Administrator.

Recommendation: We recommend that the SPLC design and implement controls to ensure adequate accounting records are maintained, complete, and reconciled timely in order to provide complete, accurate, and timely information to the IPA. Furthermore, the SPLC should establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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, and that state and federal programs are managed in compliance with applicable laws and regulations.

Management's Response: The school has hired a new administrator along with new contracted business managers. The NM Public Education Department has also taken over the school's Board of Finance. The individuals assigned to work on the financial issues of the school are working together to develop an internal control environment and structure that will safeguard the assets of the school while maintaining compliance with legal and regulatory requirements and appropriately recording and reporting financial activities of the school.

SOUTHWEST PRIMARY LEARNING CENTER (CONTINUED)

2014-002 State Audit Rule (Non Compliance)

Condition: As noted within finding 2014-001, during our testwork over Southwest Primary Learning Center
(SPLC), we were unable to obtain sufficient appropriate audit evidence to perform audit procedures over account balances in the prior year audit.

- Procurement Code (Sections 13-1-1 to 13-1-199 NMSA 1978) and State Purchasing Regulations 1.4.1 NMAC;
- Per Diem and Mileage Act (Sections 10-8-1 to 10-8-8 NMSA 1978), Regulations Governing the Per Diem and Mileage Act, and 2.42.2.11 NMAC;
- Public Money (Sections 6-10-1 to 6-10-63 NMSA 1978);
- Public School Finance Act (Sections 22-8-1 to 22-8-48 NMSA 1978);
- Investment of Public Money (Sections 6-8-1 to 6-8-21 NMSA 1978);
- Educational Retirement Act (Sections 22-11-1 to 22-11-55 NMSA 1978);
- Sale of Public Property (Sections 13-6-1 to 13-6-8 NMSA 1978);
- Anti-Donation Clause (NM Constitution Article IX, Section 14);
- Budget Compliance (Sections 22-8-5 through 22-8-12.2, NMSA 1978);
- Lease Purchase Agreements (New Mexico Constitution Article IX, Section 8 and 11; Sections 6-6-11 to 6-6-12 NMSA 1978; Montano v. Gabaldon, 108 NM 94, 766 P.2d 1328, 1989);
- Retiree Health Care Authority Act (Section 10-7C-1 to 10-7C-19 NMSA 1978);
- Compliance with PED Regulation Section 6.20.2 NMAC, *Governing Budgeting and Accounting for New Mexico Public Schools and School Districts* and the *Manual of Procedures*, primarily Supplement 7, *Cash Controls*;
- Inclusion of the cash reconciliation schedule which reconciles the cash balance as of the end of the previous fiscal year to the cash balance as of the end of the current fiscal year (Section 2.2.2.12 C (4)(b));
- New Mexico Public Schools Insurance Authority (NMPSIA) (Section 2.2.2.12 C (6))
- Annual Physical Inventory (Section 12-6-10 NMSA 1978)

As mentioned in the condition of finding 2014-001, the SPLC has hired a third party consulting firm to assist with the its daily accounting and resolve its finding related to State Auditor compliance. However, we were noted the following deficiencies related to State Auditor compliance testwork:

- Management was unable to provide sufficient evidence of the board's approved budget.
- Management was unable to provide three out of the twelve Educational Retirement Board (ERB) Contribution Forms to test for compliance with the New Mexico State Auditor Rule.
- Management was unable to provide two out of the twelve Retiree Health Care Act (RHCA) Contribution Forms to test for compliance with the New Mexico State Auditor Rule.
- We noted that in eight out of thirty payroll transactions tested, the employee's portion of their Educational Retirement Board contribution was calculated at the incorrect contribution rate causing an overstatement of $69.

SOUTHWEST PRIMARY LEARNING CENTER (CONTINUED)

2014-002 State Audit Rule (Non Compliance)(Continued)

- Because the School did not provide pledged collateral documentation, it appears that the SPLC was under collateralized by $210,005 at June 30, 2015.
- In one out of two cash receipts tested, the deposit totaling $40 was not made within twentyfour hours of receipt.
- The School did not perform an annual physical inventory during the year

Criteria: Pursuant to 6.20.2.13, the school shall maintain adequate accounting records, prepare financial statements in accordance with GAAP (specifically, GASB 34), and provide complete, accurate, and timely information to the independent public accountant (IPA) as requested.

Effect: The SPLC is not in compliance with State law.

Cause: The SPLC records were in disarray as the previous Head Administrator did not maintain complete and accurate records. Any documentation the SPLC did have were seized by the FBI as part of their investigation related to the previous Head Administrator.

Recommendation: We recommend that the SPLC design and implement controls to ensure adequate accounting records are maintained, complete, and reconciled timely in order to provide complete, accurate, and timely information to the IPA.

Management's Response: The school's new administrator along with new contracted business managers and the NM Public Education Department are working to ensure records are maintained to document compliance with legal and regulatory requirements and appropriate recording and reporting of financial activities of the school. In addition, the new administration working with its governing council and finance committee review financial activity to ensure appropriate accountability for the school and maintenance of documentation to be available to the IPA.

SOUTHWEST SECONDARY LEARNING CENTER

2014-001 Lack of Internal Controls over Accounting Records (Material Weakness)

Condition: In the prior year audit of the Southwest Secondary Learning Center (SSLC), we were unable to obtain sufficient appropriate audit evidence to perform audit procedures over the following areas: cash, accounts receivable, capital assets, accounts payable, accrued liabilities, fund balance/net assets, revenue, and expenditures. In the current fiscal year, the SSLC hired a third party consulting firm to assist with the SSLC's daily accounting and also to resolve its finding related to internal controls. In the current year audit, we were able to obtain sufficient appropriate audit evidence surrounding cash, accounts receivable, accounts payable, and fund balance/net assets. There has been progress surrounding the accounting records and we were able to review ten months' worth of records as well as

SOUTHWEST SECONDARY LEARNING CENTER (CONTINUED)

2014-001 Lack of Internal Controls over Accounting Records (Material Weakness)(Continued)

account reconciliations. However, the SSLC was unable to provide supporting documentation to support the reported balances as a whole and its funds.
During our testwork over internal controls, we noted the following discrepancies:
Management was unable to provide three of twenty-seven cash disbursement transactions selected for testing amounting to $5,088.

- Management was unable to provide six of twenty-nine personnel files for pay checks amounting to $6,206.
- Outstanding checks in the School's checking account include three checks totaling $11,273 which have been outstanding more than ninety days.
- The School was unable to provide a listing of capital assets

Per our inquiry with the current business manager and correspondence with the Office of the State Auditor (OSA) any documents that the SSLC did have were seized by the Federal Bureau of Investigation (FBI) in August 2014 as they are investigating potential fraud of substantial payments of public funds to the private business of the schools previous Head Administrator. As such, we were unable to apply audit procedures and are unable to provide an audit opinion on the SSLC.
Criteria: Pursuant to 6.20.2.11, every school shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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, and that state and federal programs are managed in compliance with applicable laws and regulations. Additionally, pursuant to 6.20.2.13, the school shall maintain adequate accounting records, prepare financial statements in accordance with GAAP (specifically, GASB 34), and provide complete, accurate, and timely information to the independent public accountant (IPA) as requested.

Effect: The SSLC lack of internal control over accounting records limits management's ability to monitor the accuracy of transactions and provide assurance with respect to public funds. Also, when sufficient controls are not designed, implemented and operating effectively, it increases the risk of financial misstatements going undetected and an increased risk of theft or fraud.

Cause: The SSLC records were in disarray as the previous Head Administrator did not maintain complete and accurate records. Any documentation the SSLC did have were seized by the FBI as part of their investigation related to the previous Head Administrator.

Recommendation: We recommend that the SSLC design and implement controls to ensure adequate accounting records are maintained, complete, and reconciled timely in order to provide complete, accurate, and timely information to the IPA. Furthermore, the SSLC should establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in

SOUTHWEST SECONDARY LEARNING CENTER (CONTINUED)

2014-001 Lack of Internal Controls over Accounting Records (Material Weakness)(Continued)

accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations.

Managemen'st Response: The school has hired a new administrator along with new contracted business managers. The NM Public Education Department has also taken over the school's Board of Finance. The individuals assigned to work on the financial issues of the school are working together to develop an internal control environment and structure that will safeguard the assets of the school while maintaining compliance with legal and regulatory requirements and appropriately recording and reporting financial activities of the school.

2014-002 State Audit Rule (Non Compliance)

Condition: As noted within finding 2014-001, during our testwork over Southwest Secondary Learning Center (SSLC), we were unable to obtain sufficient appropriate audit evidence to perform audit procedures over account balances in the prior year audit.

- Procurement Code (Sections 13-1-1 to 13-1-199 NMSA 1978) and State Purchasing Regulations 1.4.1 NMAC;
- Per Diem and Mileage Act (Sections 10-8-1 to 10-8-8 NMSA 1978), Regulations Governing the Per Diem and Mileage Act, and 2.42.2.11 NMAC;
- Public Money (Sections 6-10-1 to 6-10-63 NMSA 1978);
- Public School Finance Act (Sections 22-8-1 to 22-8-48 NMSA 1978);
- Investment of Public Money (Sections 6-8-1 to 6-8-21 NMSA 1978);
- Educational Retirement Act (Sections 22-11-1 to 22-11-55 NMSA 1978);
- Sale of Public Property (Sections 13-6-1 to 13-6-8 NMSA 1978);
- Anti-Donation Clause (NM Constitution Article IX, Section 14);
- Budget Compliance (Sections 22-8-5 through 22-8-12.2, NMSA 1978);
- Lease Purchase Agreements (New Mexico Constitution Article IX, Section 8 and 11; Sections 6-6-11 to 6-6-12 NMSA 1978; Montano v. Gabaldon, 108 NM 94, 766 P.2d 1328, 1989);
- Retiree Health Care Authority Act (Section 10-7C-1 to 10-7C-19 NMSA 1978);
- Compliance with PED Regulation Section 6.20.2 NMAC, *Governing Budgeting and Accounting for New Mexico Public Schools and School Districts* and the *Manual of Procedures*, primarily Supplement 7, *Cash Controls*;
- Inclusion of the cash reconciliation schedule which reconciles the cash balance as of the end of the previous fiscal year to the cash balance as of the end of the current fiscal year (Section 2.2.2.12 C (4)(b));
- New Mexico Public Schools Insurance Authority (NMPSIA) (Section 2.2.2.12 C (6))
- Annual Physical
- Inventory (Section 12-6-10 NMSA 1978)

SOUTHWEST SECONDARY LEARNING CENTER (CONTINUED)

2014-002 State Audit Rule (Non Compliance)(Continued)

As mentioned in the condition of finding 2014-001, the SSLC has hired a third party consulting firm to assist with the its daily accounting and resolve its finding related to State Auditor compliance. However, we were noted the following deficiencies related to State Auditor compliance testwork:

- Management was unable to provide sufficient evidence of the board's approved budget.
- Management was unable to provide two out of the twelve Educational Retirement Board (ERB) Contribution Forms to test for compliance with the New Mexico State Auditor Rule.
- Management was unable to provide one out of the twelve Retiree Health Care Act (RHCA) Contribution Forms to test for compliance with the New Mexico State Auditor Rule.
- We noted that in two out of twenty-nine payroll transactions tested, the employee's portion of their Educational Retirement Board contribution was calculated at the incorrect contribution rate. The net difference of the two items was $0.
- In the one cash receipt tested, the deposit totaling $45 was not made within twenty-four hours of receipt.
- The School had $3,838 in actual expenditures in excess of budgetary authority in the capital outlay function of the Public Schools Capital Outlay fund.
- Because the School did not provide pledged collateral documentation, it appears that the SSLC was under collateralized by $791,241 at June 30, 2015.
- SSLC is not using 80 percent of the standard mileage rate causing a mileage reimbursement excess of $70.
- The School did not perform an annual physical inventory during the year

Criteria: Pursuant to 6.20.2.13, the school shall maintain adequate accounting records, prepare financial statements in accordance with GAAP (specifically, GASB 34), and provide complete, accurate, and timely information to the independent public accountant (IPA) as requested.

Effect: The SSLC is not in compliance with State law.

Cause: The SSLC records were in disarray as the previous Head Administrator did not maintain complete and accurate records. Any documentation the SSLC did have were seized by the FBI as part of their investigation related to the previous Head Administrator.

Recommendation: We recommend that the SSLC design and implement controls to ensure adequate accounting records are maintained, complete, and reconciled timely in order to provide complete, accurate, and timely information to the IPA.

Management's Response: The school's new administrator along with new contracted business managers and the NM Public Education Department are working to ensure records are maintained to document compliance with legal and regulatory requirements and appropriate recording and reporting of financial activities of the school. In addition, the new administration working with its governing

SOUTHWEST SECONDARY LEARNING CENTER (CONTINUED)

2014-002 State Audit Rule (Non Compliance)(Continued)

council and finance committee review financial activity to ensure appropriate accountability for the school and maintenance of documentation to be available to the IPA.

TAOS ACADEMY

2014-001 Procurement Code (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: The School did not follow proper procurement procedures when obtaining vendors' to install a basketball court and artificial turf for the School. The total estimated cost was $25,613 for the basketball court and $34,833 for the artificial turf. The School obtained quotes by making phone calls rather than sending written requests containing the specifications for the procurement. This finding was reported in the 2014 audit and the School started taking corrective measures once it was reported to them in May 2015.

Criteria: Per NMAC 6.20.2.17 PURCHASING: A. Each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. Purchasing policies and procedures for grant funding shall comply with requirements established within the grant and the Procurement Code. An internal control structure over purchasing shall be established and maintained to assure compliance with school district policy, state and federal regulations. NMSA Article I, Section 13-1-104 states central purchasing offices shall send copies of the notice or invitation for bids involving the expenditure of more than twenty thousand dollars ($20,000) to those businesses that have signified in writing an interest in submitting bids for particular categories of items of tangible personal property and construction services.

Effect: The School could be overpaying for services and/or goods.
Cause: Lack of proper internal controls and policies in place to ensure the School follows procurement guidelines when obtaining a vendor for construction services and tangible personal property.

Recommendation: For construction and tangible personal property purchases between $20,000 and $60,000, the School should solicit businesses via written requests containing the specifications for the procurement. In addition, the School should improve their policies and procedures to more clearly define the requirements and thresholds.

Management's Response: Our prior year response to this finding was the School did receive three written bids for services, however, a formal request was not sent to those that bid. In the future, if the School shall seek bids for construction, specifications will be used for the purpose of soliciting bids.

The School was working on a few projects during the summer between FY14 and FY15. This finding was prior to the audit of FY14. After the audit of FY14, the School implemented procedures to be in compliance with state requirements. Taos Academy Governing Council will also work on updating the

TAOS ACADEMY (CONTINUED)

2014-001 Procurement Code (Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

procurement policy in FY2016 to ensure a better understanding of the process. The director and business manager will immediately revise their procedures to be in compliance. The School plans to have an updated procurement policy by spring of 2016.

2015-001 Timely Deposits (Noncompliance in accordance with the New Mexico State Audit Rule)

Condition: During testwork over cash receipts, we noted one deposit totaling $410 collected on January 13, 2015. These funds were not deposited in the bank until January 15, 2015.

Criteria: NMAC 6.20.2.14.C states "Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day."

Effect: The School is not in compliance with the cash deposit compliance requirements as stated at NMAC 6.20.2.14.C.

Cause: Cash deposits were not taken to the bank within a 24 hour period due to available staffing.

Recommendation: Ensure deposits are made in accordance with NMAC 6.20.2.14.C.

Management's Response: The Business Manager and Director continue to educate and remind the staff on proper procedures for timely deposits. Taos Academy policy states that deposits are to be made within 24 hours. The director and business manager will continue this process immediately.

2015-002 Payroll (Noncompliance in accordance with the New Mexico State Audit Rule)

Condition: During our review over 25 payroll transactions, we found eight instances where the School was improperly calculating employee and employer FICA taxes for certain insurance deductions. These employee deductions should have been treated as pre-FICA tax deductions; however, the School treated them as post-FICA tax deductions.

Criteria: Per the NMAC 6.20.2.12, the School District shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer programmed controls, management review of reports that summarize the detail of accounts balances and user review of computer generated reports. The School is also required to maintain an internal control structure to demonstrate the school ability to record, process, summarize and report financial data. In addition, the internal control structure shall demonstrate that the school district identifies applicable law and regulations, and that procedures are designed to provide reasonable assurance that the school district complies with those laws and regulations.

TAOS ACADEMY (CONTINUED)

2015-002 Payroll (Noncompliance in accordance with the New Mexico State Audit Rule)(Continued)

Effect: The School and the employees paid more in taxes and benefits than what should have been paid.

Cause: The School calculated employer and employee taxes incorrectly by not treating certain insurance deductions as a pre-FICA tax deduction.

Recommendation: Implement internal controls to ensure deductions are properly entered into the payroll system. A review should be performed for all employees to ensure deductions are properly calculated.

Management's Response: The School's understanding of the Section 125 Plan was incorrect. We appreciate the guidance from the auditors. The issue has been corrected in the current year. The School will continue to monitor payroll adding this area as an additional section for review. The business manager will ensure these changes are made immediately.

TAOS INTEGRATED SCHOOL OF THE ARTS

2015-001 Payroll (Noncompliance in accordance with the New Mexico State Audit Rule)

Condition: During our testwork over 25 payroll transactions, we found two instances where the School was improperly calculating employee and employer FICA taxes for certain insurance deductions. These employee deductions should have been treated as pre-FICA tax deductions; however, the School treated them as post-FICA tax deductions.

Criteria: Per the NMAC 6.20.2.12, the School District shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer programmed controls, management review of reports that summarize the detail of account balances and user review of computer generated reports. The School is also required to maintain an internal control structure to demonstrate the school ability to record, process, summarize and report financial data. In addition, the internal control structure shall demonstrate that the school district identifies applicable law and regulations, and that procedures are designed to provide reasonable assurance that the school district complies with those laws and regulations.

Effect: The School and the employees paid more in taxes and benefits than what should have been paid.

Cause: The school calculated employer and employee taxes incorrectly by not treating certain insurance deductions as a pre-FICA tax deduction.

TAOS INTEGRATED SCHOOL OF THE ARTS (CONTINUED)

2015-001 Payroll (Noncompliance in accordance with the New Mexico State Audit Rule)(Continued)

Recommendation: Implement internal controls to ensure deductions are properly entered into the payroll system. A review should be performed for all employees to ensure deductions are properly calculated.

Management's Response: The School's understanding of the Section 125 Plan was incorrect. We appreciate the guidance from the auditors. The issue has been corrected in the current year. The School will continue to monitor payroll adding this area as an additional section for review. The business manager will implement this process immediately.

2015-002 Disbursements (Noncompliance in Accordance with New Mexico State Audit Rule)

Condition: During our testwork over 25 cash disbursements we noted two instances totaling $359 where the School paid sales tax for tangible items.

Criteria: Per NMAC 3.2, School districts are exempt from paying sales tax.

Effect: The School is paying for expenditures that are not allowable or applicable.

Cause: Internal controls are not in place to ensure sales tax is not paid on tangible items.

Recommendation: Internal controls should be established to ensure the School does not pay sales tax on tangible items.

Management's Response: The School will continue training individuals responsible for purchasing on tax exemption procedures. The finance committee will also follow up with internal audit throughout the year to ensure that the School is in compliance with the state regulations. The business manager is responsible for training both School staff and the finance committee on procedures and methods for monitoring. The business manager will do continuous training and it will begin immediately.

2015-003 Internal Control Structure (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During our internal control testwork over a sample of 25 cash disbursements we noted two instances where vendors were paid more than the agreed upon contract and actual expenses exceeded the approved purchase orders.

Criteria: Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the

TAOS INTEGRATED SCHOOL OF THE ARTS (CONTINUED)

2015-003 Internal Control Structure (Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

preparation of general purpose financial statements in accordance with GAAP. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP."

Effect: Reimbursements could be made without proper approval and expenditures could be reported inaccurately or misclassified in the improper fund. This could result in funds being overspent and balances misstated.

Cause: The School did not follow internal purchasing policies and procedures.

Recommendation: Ensure policies are followed by not allowing payments to exceed the contract amount and the approved purchase order.

Management's Response: The School has implemented a new structure for more internal reviews of current year contracts to ensure that contracts are not exceeded. Periodic reviews by the finance committee will be implemented. The director and business manager will monitor contracts more carefully. The finance committee will review them on a random basis. This process will take effect in fiscal year 2016 fiscal year.

TAOS INTERNATIONAL SCHOOL

2015-001 Internal Control Structure and Payment for Services (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During the fiscal year 2015, the School used the Internal Revenue Service (IRS) standard rate for mileage reimbursements.

Criteria: NMAC 2.42.2.11(b)(1) states that public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile at 80% of the IRS standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Effect: The School is not in compliance with the Per Diem and Mileage Act and is overpaying employees for travel on behalf of the School.

Cause: The School did not have internal controls in place to ensure mileage reimbursements were paid in accordance with the New Mexico Per Diem and Mileage Act.

TAOS INTERNATIONAL SCHOOL (CONTINUED)

2015-001 Internal Control Structure and Payment for Services (Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

Recommendation: The School should follow the Per Diem and Mileage Act for local governments when paying for mileage reimbursements.

Management's Response: We disagree with this finding. The issue is not one of internal controls at the School but rather one of a change in opinion by the Public Education Department (PED) and external auditors. Previously, the Public Education Department had issued a memorandum from the Deputy Secretary of Education which stated charter schools were able to pay mileage rates at the full IRS rate. Prior auditors had given charter schools audit findings for paying at the rate suggested here. The school followed prior PED and auditor instruction in paying the rate. The finding should be that the PED and auditors should be consistent in the interpretations issued to schools. The business manager was responsible for this finding and a new mileage policy has been implemented as of July 2015.

2015-002 Internal Control Structure and Payroll (Noncompliance in Accordance with the New Mexico State Audit Rule and Significant Deficiency)

Condition: During our review of twenty-six payroll disbursements we noted the following:

- We noted eight instances when background checks were not completed timely and one instance when a background check could not be provided for review.
- For one employee's contract we were unable to provide support regarding the pay rate for two installment payments.
- We noted one employee for which the School was unable to provide evidence why Retiree Health Care (RHC) withholdings and contributions should not have been made.

Criteria: NMAC 6.20.2.18 requires various employee records and documentation to be maintained and available for inspection, including personnel/payroll action forms that properly document employee compensation. Pursuant to 22-10.3.3 NMSA 1978, policies and procedures should be developed requiring background checks on an applicant who has been offered employment with unsupervised access to students at a charter school.

Effect: The School is not in compliance with the requirements of NMAC 6.20.2.18 and 22-10.3.3 NMSA 1978.

Cause: Internal controls were not in place to ensure that employees had background checks received in a timely fashion, that gross pay, for one employee, agreed to employee's contracted salary, and that necessary deductions are withheld properly.

Recommendation: Time cards should be reviewed and compared to the hours entered into the payroll system to ensure accuracy as well as comparing the salary in the employment contract to the employee's gross pay per period. Additionally, system parameters surrounding pre-tax payroll

TAOS INTERNATIONAL SCHOOL (CONTINUED)

2015-002 Internal Control Structure and Payroll (Noncompliance in Accordance with the New Mexico State Audit Rule and Significant Deficiency)(Continued)

deductions should be reviewed to ensure that all deductions are processed in accordance with IRS guidelines. In addition, all employees should be required to have a completed background check on file before their first day of work.

Management's Response: The School will implement procedures to ensure correct amounts are paid and withheld through payroll. However, employees are paid on a salary and time cards are used only for part-time substitutes which this finding does not address. New hire procedures are also being implemented to ensure compliance with background check requirements. The business manager was responsible for this issue and it has been corrected as of July 2015.

2015-003 Timely Deposits (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: For one of eleven cash receipts tested, we noted that funds were not deposited within the required 24-hour timeframe.

Criteria: NMAC 6.20.2 states that "money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day."

Effect: The school was not in compliance with State Statute. Additionally, the School has exposed itself to possible misappropriation of assets.

Cause: The school did not follow their internal controls which are in place to ensure that NMAC 6.20.2 is followed.

Recommendation: We recommend that the school is more diligent regarding incoming income from fundraisers and all cash receipts to ensure that they are deposited within the required 24 hour timeframe.

Management's Response: The School has put additional procedures in place to address timely deposit of cash receipts. The administration at the school was responsible for this issue and it has been corrected as of July 2015.

2015-004 ERB Remittance – (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: We reviewed twelve months of ERB remittances, noting that two remittances were made several days late.

Criteria: Based on the instructions for preparing the ERB form 100: electronic reports, consisting of salaries and contributions and demographic information, must be sent by the 15th of the month

TAOS INTERNATIONAL SCHOOL (CONTINUED)

2015-004 ERB Remittance – (Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

following the month covered by the report The ERB Form 100 must be faxed the same day that the contributions are electronically transmitted, no later than the 15th of the month following the month covered by the Report.

Effect: The School did not remit the contributions timely and they were subject to a penalty.

Cause: The School failed to remit the contribution payment in a timely fashion.

Recommendation: The School should comply with all due dates established for ERB reports and contributions.

Management's Response: Set up for new schools requires coordination with the ERB office. Because this was the first time the school was paying, the ERB accepted the payments as correct and timely. The School's business manager was responsible for this issue and it has been corrected as of July 2015.

THE LEARNING COMMUNITY CHARTER SCHOOL

2009-003 Internal Control Structure, (Non-Compliance in Accordance with the New Mexico State Audit Rule) (Other Matter)

Condition: The trial balance had liability accounts which had debit balances totaling $6,925 that were not reconciled for several years. In addition, the capital assets listing and the disposal of assets information could not be provided to the auditors during fieldwork.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall maintain internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use of disposition, 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.

Per subsection A of Section 13-6-1, NMSA 1978, such disposals are required to be communicate to the State Auditor at least 30 days prior to the actual disposal. Additionally, New Mexico Administrative Code 2.2.2.10 T(2) & (3) requires that in the event of a computer disposal it must be sanitized or effectively make inaccessible all licensed software and any electronic media pertaining to the organization. A certification that the hard drive has been erased or destroyed must be provided to the State Auditor.

Effect: The School is not in compliance with NMAC 6.20.2.11 and the School is not in compliance with the requirements of Subsection A of Section 13-6-1, NMSA 1978, or NMAC 2.2.2.10 T(2) & (3) related to equipment dispositions.

THE LEARNING COMMUNITY CHARTER SCHOOL (CONTINUED)

2009-003 Internal Control Structure, (Non-Compliance in Accordance with the New Mexico State Audit Rule) (Other Matter)(Continued)

Cause: Turnover in the Business Manager position and the closure of the School led to difficulties in performing year-end reconciliations and obtaining applicable disposal information.

Recommendation: The School should have performed reconciliations of all accounts on a monthly basis. This would have helped in making pertinent decisions affecting the School by the Governance board and management. The School should have implemented internal controls that would ensure compliance with Subsection A of Section 13-6-1, NMSA 1978, and New Mexico Administrative Code 2.2.2.10 T(2)

Management's Response: The Learning Community Charter School was closed by the Public Education Commission effective June 30, 2014. PED has since taken over close out operations and will ensure proper controls are implemented during the close out.

2013-002 Procurement Code (Non-Compliance in Accordance with the New Mexico State Audit Rule) (Other Matter)

Condition: During proceedings to close the School, the School hired a related-party to perform legal services. The total amount spent was $21,212 during the year ended June 30, 2015 and no bid process was documented. In the prior year, the School spend $103,300 to this same vendor for the legal services and there was no bid process documented for this year.

Criteria: As indicated in NMAC 1.4.1.14 through 1.4.1.28, an internal control structure over purchasing shall be established and maintained to assure compliance with school district policy and state and federal regulations in assurance that all the bids are supported by proper documentation.

Effect: The School is not in compliance with NMAC 1.14.1.14 through 1.4.1.28.

Cause: According to School personnel, the School made numerous attempts to contact various firms for legal services. Attempts were made via newspaper and telephone, however, supporting documentation could not be located documenting such attempts. According to School personnel, the School contends that the vendor chosen provided sole source services for the School's ensuing legal litigation and throughout the PED appeals process.

Recommendation: The School should have designated a procurement agent who would have been accountable for maintaining records and ensuring State procurement policies were being implemented and followed. The School should have obtained bids when services rendered were greater than $60,000.

Management's Response: The Learning Community Charter School was closed by the Public Education Commission effective June 30, 2014. PED has since taken over close out operations and will ensure proper controls are implemented during the close out.

THE LEARNING COMMUNITY CHARTER SCHOOL (CONTINUED)

2014-001 Internal Control Structure (Non-Compliance in Accordance with the New Mexico State Audit Rule) (Other Matter)

Condition: During internal control testwork over a sample of 17 cash disbursements, we noted that four transactions did not have proper supporting documentation and purchase orders for a total of $28,236.

Criteria: Per NMAC 6.20.2.17 PURCHASING: A. Each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. Purchasing policies and procedures for grant funding shall comply with requirements established within the grant and the Procurement Code. An internal control structure over purchasing shall be established and maintained to assure compliance with school district policy, and state and federal regulations.

Effect: Proper maintenance of supporting documentation relating to financial transactions is necessary to mitigate possible dual payment of invoices and to resolve possible disputes with vendors, etc. Reimbursements could be made without proper approval and expenditures could be reported inaccurately or misclassified in the improper fund. This could result in funds being overspent and balances misstated.

Cause: The timing of the audit occurred after the School closed and the School only had a consultant pay any outstanding bills. There was discussion with PED on paying expenditures but no formal documentation giving applicable approval.

Recommendation: The School should have developed and implemented internal controls making sure that all supporting documentation was maintained.

Management's Response: The Learning Community Charter School was closed by the Public Education Commission effective June 30, 2014. PED has since taken over close out operations and will ensure proper controls are implemented during the close out.

2015-001 Internal Control Structure, (Non-Compliance in Accordance with the New Mexico State Audit Rule) (Significant deficiency)

Condition: During our test work of five journal entries, we noted that two journal entries in the amounts of $2,717 and $2,264 were not approved or reviewed by someone other than the preparer of the journal entries.

Criteria: NMAC 6.20.2.11 (A) Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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, and that state and federal programs are managed in compliance with

THE LEARNING COMMUNITY CHARTER SCHOOL (CONTINUED)

2015-001 Internal Control Structure, (Non-Compliance in Accordance with the New Mexico State Audit Rule) (Significant deficiency)(Continued)

applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.

Effect: Journal entries that are not reviewed or approved by someone with the appropriate level of accounting knowledge may result in entries made in error and could lead to a misstatement of the financial statements.

Cause: Due to the closure of the School, the School did not have adequate personnel to approve journal entries made during the year.

Auditor's Recommendation: Management should have established internal control policies to review and approve journal entries during the year.

Managements Response: The Learning Community Charter School was closed by the Public Education Commission effective June 30, 2014. PED has since taken over close out operations and will ensure proper controls are implemented during the close out.

TIERRA ADENTRO

2014-001 Internal Control Structure and Payment for services (Noncompliance in Accordance with the New Mexico State Audit Rule and Significant Deficiency)

Condition: During our review of twenty-five disbursements, we noted one expenditure totaling $5,000 to a contractor that was not in accordance with the contract. According to the contract, the contractor is to be paid on an hourly basis; however, the contractor was paid a flat fee of $2,500 every two weeks. In addition, based on review of this contractor, it appears the individual should have been classified as an employee instead of a contractor. Beginning in fiscal year 2016, the School changed the individual's classification to an employee.

Criteria: NMAC 6.20.2.11 Internal Control Structure Standards, requires every school to maintain an internal control structure that will provide management with reasonable assurance assets are safe-guarded against loss from unauthorized use or disposition, 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.

Effect: The School is not in compliance with NMAC 6.20.2.11.

TIERRA ADENTRO (CONTINUED)

2014-001 Internal Control Structure and Payment for services (Noncompliance in Accordance with the New Mexico State Audit Rule and Significant Deficiency)(Continued)

Cause: Internal controls were not in place to ensure payments were made in accordance with contract provisions and that contractors were properly reviewed to determine employee versus contractor status.

Recommendation: Invoices should be reviewed for accuracy with contract provisions prior to payment. The School should also use IRS guidance when determining whether an individual is an employee or a contractor.

Management's Response: The School has used IRS guidance to determine whether an individual is considered an employee or a contractor and has made the necessary changes. The School does have policies and procedures in place so that all invoices are being reviewed prior to payment. The business manager will be responsible for ensuring that these internal controls are in place and the changes have already been made.

2015-001 Internal Control Structure and Payroll (Noncompliance in Accordance with the New Mexico State Audit Rule and Significant Deficiency)

Condition: During our review of twenty-five payroll disbursements we noted the following:

- The amount of hours paid to an employee did not agree to the employee's time sheet. According to the time sheet, the employee should have been paid for 40.5 hours. However, the employee was actually paid for 54 hours which resulted in a $278.10 overpayment.
- Seventeen instances where the School was improperly calculating employee and employer FICA taxes for certain insurance deductions. These employee deductions should have been treated as pre-FICA tax deductions; however, the School treated them as post-FICA tax deductions.

Criteria: NMAC 6.20.2.11 Internal Control Structure Standards, requires every school to maintain an internal control structure that will provide management with reasonable assurance assets are safe-guarded against loss from unauthorized use or disposition, 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.

Effect: The School is not in compliance with NMAC 6.20.2.11 and an employee was overpaid according to the supporting documentation provided by the School. In addition, the School and the employees paid more in taxes than what should have been paid.

Cause: Internal controls are not in place to ensure payments are made in accordance with contract provisions and the employee's time card. In addition, internal controls are not in place to ensure deductions are properly entered into the payroll system.

TIERRA ADENTRO (CONTINUED)

2015-001 Internal Control Structure and Payroll (Noncompliance in Accordance with the New Mexico State Audit Rule and Significant Deficiency)(Continued)

Recommendation: Time cards should be reviewed and compared to the hours entered into the payroll system to ensure accuracy. Implement internal controls to ensure deductions are properly entered into the payroll system. A review should be performed for all employees to ensure deductions are properly calculated.

Management's Response: The School does have policies and procedures in place to ensure that all timecards are accurate and the correct salary is being entered into the financial system. A review of the correct tax withholding is currently being undertaken. The School will ensure that the deductions are being properly calculated. The business manager will be responsible for ensuring that these internal controls are in place and they expect to have them in place by March 2016.

2015-002 Audit Committee (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: The School does not have a volunteer member with experience in accounting or financial matters on their audit committee.

Criteria: Per NMSA 22-8-12.3 Each local school board shall appoint an audit committee that consists of two board members, one volunteer member who is a parent of a student attending that school and one volunteer member who has experience in accounting or financial matters.

Effect: The School is not in compliance with state statute.

Cause: The School has not been successful in recruiting the required audit committee member.

Recommendation: The School should evaluate audit committee recruitment efforts and ensure that all required members have been met.
Management's Response: The School is actively looking for a volunteer member to be on the audit committee. The governing council and principal will be responsible for recruiting a volunteer and they expect to have this problem resolved by June 2016.

2015-003 Timely Deposits (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During our cash receipts testwork, we noted two receipts in the amounts of $2,230 and $75 received on August 4, 2014 and July 15, 2014 that were not deposited until August 6, 2014 and July 18, 2014, respectively.

Criteria: NMAC 6.20.2 states that "money received and receipted shall be deposited in the bank within twenty-four hours or one banking day".

TIERRA ADENTRO (CONTINUED)

2015-003 Timely Deposits (Noncompliance in Accordance with the New Mexico State Audit Rule)(Continued)

Effect: The School is not in compliance with state statute.

Cause: The School had limited staff during the summer which led to the inadvertent oversight of not taking the deposits to the bank within the required time frame.

Recommendation: The School should implement procedures to ensure that receipts are deposited in the bank within the required time frame.

Management's Response: The School will emphasize that the internal control procedures are followed ensuring that all money being received is being recorded correctly and deposited within 24 hours. The administrative staff and business office will be responsible for ensuring that deposits are being made in a timely manner and they expect to have this process under control by January 2016.

2015-004 Procurement Code (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: During our cash disbursements test work, we noted two instances where the School did not follow their procurement policy when purchasing tangible items that were in excess of $5,000. The tangible items purchased were from two different vendors and totaled $8,368 and $29,550, respectively.

Criteria: Per NMAC 6.20.2.17 PURCHASING: A. Each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. The School's procurement policy states, "Attach three (3) quotes if the amount to be purchased exceeds $5,000. The quotes must include vendor name and telephone number. Be sure each quote is inclusive of all charges and freight."

Effect: The School could be overpaying for services and/or goods and the School is not in compliance with their policy.

Cause: Internal controls were not in place to ensure the School follows their internal policies when purchasing tangible items.
Recommendation: The School should ensure quotes are obtained when purchases exceed $5,000.

Management's Response: The School will ensure that the policies and procedures are being emphasized and complied with. The administrative staff and business manager will be responsible for following procurement procedures and will have these implemented by January 2016.

TIERRA ADENTRO (CONTINUED)

2015-005 Budgetary Conditions (Noncompliance in Accordance with the New Mexico State Audit Rule)

Condition: The School did not properly budget prior year cash carry-over in the Food Services Fund 21000. There was no prior year cash carry-over; however, the School budgeted a deficit of $6,432 for this fund.

Criteria: Per NMAC 6.20.2.9 (A) every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12.2, NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information.

Effect: The School is out of compliance with state statute and the controls established by the use of budgets has been compromised, which could result in deficit fund balances and unnecessary usage of funds to cover the deficit.

Cause: The School budgeted a deficit when there was no prior year cash carry-over amounts for this fund.

Recommendation: We recommend that the School establish a policy where the budget is reviewed at the end of each quarter and give consideration to deficits and ensure that designated cash is available to cover such overages.

Management's Response: The School has polices and procedure in place and will ensure that the budget is reviewed properly. The business manager will be responsible for ensuring that the budget is correct and we expect to have this implemented by June 2016.

UPLIFT COMMUNITY SCHOOL

2013-002 Internal Control Structure – (Compliance)

Condition: During our fieldwork we noted that the school does not have a contract in place with the food service vendor. Total disbursements were $40,137.

Criteria: Per 7 CFR part 210.21(f) Cost reimbursable contracts-(1) required provisions. The school food authority must include the following provisions in all cost reimbursable contracts, including contracts with cost reimbursable provisions, and in solicitation documents prepared to obtain offers for such contracts: (i) allowable costs will be paid from the nonprofit school service account to the contractor net of all discounts, rebates and other applicable credits accruing to or received by the contractor or any assignee under the contract, to the extent those credits are allocable to the allowable portion of the costs billed to the school food authority.

Effect: The school could be overpaying for food services.

UPLIFT COMMUNITY SCHOOL (CONTINUED)

2013-002 Internal Control Structure – (Compliance)(Continued)

Cause: The School entered into an arrangement with the food service vendor to provide food but did not enter into a formal contract for the pricing.

Recommendation: We r ecommend that contracts be completed for food services in order to ensure that all the CFR compliance requirements are properly included in the contract.

Management's Response: The school does not use a service company for prepared meals reimbursed through the USDA. The school purchases raw materials and foods from a food vendor, primarily Sysco, and prepares student meals from scratch on site. Management had requested multiple times from numerous individuals within the Sysco Company a copy of the food pricing contract. The school has worked with Sysco on format for a food contract and has put the contract into place for the 2015-2016 school year.

2014-001 Supporting Documentation – (Significant Deficiency)

Condition: During our test-work the following items were noted:

- In a sample of sixty expenditures, there was one disbursement in the amount of $744, where the school could not provide any supporting documentation.
- In a sample of twenty cash receipts selected for student fees and student activities, eight of the items selected were missing a receipt (total of $3,282) to the party submitting payment and one item (approximate total of $200) was missing a bank deposit slip.

Criteria: Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, 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. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP."

Additionally, NMSAC 6.20.2.14.C states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.

Effect: It could not be determine if the expenditure and the cash receipts were properly recorded on the general ledger. It could not be determined if the cash receipts were deposited in a timely manner.

UPLIFT COMMUNITY SCHOOL (CONTINUED)

2014-001 Supporting Documentation – (Significant Deficiency)(Continued)

Cause: The school does not have in place proper internal controls to ensure that supporting documentation is maintained for all cash disbursements and cash receipts.

Recommendation: The School should put in place internal controls so that documentation for all financial activity is available for examination both by school personnel and external parties such as the auditors.

Management's Response: Uplift Community School has worked hard to establish and maintain a set of internal controls and policies and procedures around procurement. The school identified inconsistencies with personnel following the defined policies and procedures, and has made applicable changes to the personnel for the 2015-2016 school year. The school has reviewed the policies and procedures with the incoming staff and is confident that the areas of policy application and records maintenance will be greatly improved.

2014-003 Mileage Reimbursements – (Compliance)

Condition: For the year ended June 30, 2015, it was noted that the School reimbursed employees for mileage at a rate of fifty six cents per mile.

Criteria: NMAC 2.42.2.11 (B) (1) states public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the official discharge of official duties as follows: "unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle."

Effect: The School is not in compliance with New Mexico State Statutes in regards to mileage reimbursement.

Cause: The School contends that it is a Local Public Body and not a State Agency. As a Local Public Body, the school contends that it may reimburse mileage at the full amount authorized by the IRS. The New Mexico Public Education Department (PED) has indicated to the auditors that charter schools chartered under PED are a component unit of PED and should reimburse mileage at the rate approved for a State Agency.

Recommendation: The School should reimburse mileage at 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.

Management's Response: The school has adopted a revised Travel and Per Diem policy that limits the

UPLIFT COMMUNITY SCHOOL (CONTINUED)

2014-003 Mileage Reimbursements – (Compliance)(Continued)

allowable mileage reimbursement to 80% of the approved IRS rate for any given calendar year for authorized travel in a personal vehicle relating to official school business.

2014-004 Budgetary Condition – (Compliance)

Condition: The School had expenditure functions where actual expenditures exceeded budgetary authority:

Operational Fund (11000)	
Food Service Operations	$22,533
Teacher Principal Training (24154)	
Support Services	$ 1,165
Title XIX Medicaid 3/21 Years (25153)	
Instruction	$ 81

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-5 through 22- 8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts the function is the legal level of control.

Effect: The school is out of compliance with State Law and the control established by the use of budgets has been compromised.

Cause: A budget adjustment request was never submitted to account for the additional expenditures incurred.

Recommendation: The School should establish a policy of budgetary review at year-end and make the necessary budgetary adjustments.

Management's Response: Management will review the current policy that is in place to review budget-to-actuals for the estimation of the year end position. Currently the school's finance committee meets in June to review the estimates and create any necessary budget adjustments. In FY 2015 a review was done of the Food Service program and food expenditures in excess of total revenues for the program were reallocated to the Operational fund. The review was done at year end after final Budget Adjustment Requests were due to the PED. Management will continue to work with the school and monitor the food service account for anticipated funding pitfalls due to the unique setup of the charter schools food service program. The Business Manager will post any necessary BARs by December 31st.

UPLIFT COMMUNITY SCHOOL (CONTINUED)

2015-001 Personnel Files – (Compliance)

Condition: Thirteen employees were selected for payroll testing. The following items were noted:
Two employee's personnel files did not contain background checks or certifications.

Criteria: NMAC 6.20.2.18 requires that schools maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (Federal Form I-9), federal and state withholding certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

Effect: The School is not in compliance with New Mexico State Statutes in regards to employee record documentation.

Cause: The School is not reviewing the personnel files for compliance with State Statutes.

Recommendation: The School should review all personnel files to ensure that required documentation required by NMAC 6.20.2.18 is available.

Management's Response: The Uplift Community School has adopted policies that exceed those of the State when it comes to the area of new hire documentation. The school requires that all new staff members pass a background check, usually ran through the McKinley County Sheriff's office, unless the employee has a copy of a background check within two years of their hire date. The school was able to document that the employees in question had background checks, but did not have copies of the background checks to provide the auditors. Uplift will review the policies and procedures related to hiring with all applicable personnel. Uplift will also develop a policy for recurring background checks for all staff members, not just those who are seeking new employment with the school. The school will require that all staff members provide due diligence as to their licensure status and/or application with the State of New Mexico whether through the renewal process, reciprocation process, or the new applicant process. This will include a detailed timeframe for follow-up in order to continue their employment. This will be completed by December 31st.

2015-002 Purchase Orders Subsequent to Invoice – (Significant Deficiency)

Condition: During our testing of sixty cash disbursements, there were five instances (totaling $3,645) in where the Purchase Order was prepared subsequent to the vendor's invoice date.

Criteria: Section NMAC 6.20.2.17 (A), requires that each school shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and

UPLIFT COMMUNITY SCHOOL (CONTINUED)

2015-002 Purchase Orders Subsequent to Invoice – (Significant Deficiency)

Budgeting, Supplement 13 – Purchasing, states that "the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction."

Effect: Not being in compliance with state purchasing requirements places the School at risk for fraud or misuse of public funds.

Cause: School personnel did not follow established procurement policies of the School.

Recommendation: All School personnel should be reminded that initiation of a purchase order is not sufficient for ordering; that an approved Purchase Order is required per School and State guidelines.

Management's Response: Uplift Community School has worked hard to develop financial policies and procedures that are both compliant and safe guard the school from financial mismanagement. Management will work with the school administration and all staff to emphasize the procedures established and ensure that all purchases have an approved purchase order before goods or services are ordered. Management will have this completed by December 31st.

2015-003 Check Signing – (Compliance)

Condition: During our testing of sixty cash disbursements, there were six instances (totaling $18,850) in where a check over $250 only had one authorized signer.

Criteria: Section NMAC 6.20.2.17 (A), requires that each school shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. The School has established an internal policy which requires all Checks of $250 or more to be signed by two authorized check signers.

Effect: The School was not in compliance with its own internal control procedures. Non-compliance with established internal controls places the School at risk for fraud or misuse of public funds.

Cause: School personnel did not follow established procurement policies of the School.

Recommendation: The School should follow its own internal controls and ensure that all checks of $250 or more be signed by two authorized check signers.

Management's Response: The schools financial policies and procedures that have been adopted were created to protect the school against financial mismanagement and fraud. As new personnel were brought on to the schools governance and administration they were not made readily aware of the

UPLIFT COMMUNITY SCHOOL (CONTINUED)

2015-003 Check Signing – (Compliance)(Continued)

policy requiring two check signers for all amounts over $250. The school has reviewed their financial policies and procedures and has updated the threshold required for dual signors to better reflect the need to process routine transactions and employee's payroll timely. Management will ensure that all authorized check signers are made aware of the schools policies relating to check signing on a regular basis. Management will complete this by December 31st.

WALATOWA HIGH CHARTER SCHOOL

2013-001 – Timely Deposits – (Non-compliance in accordance with the New Mexico State Audit Rule)

Condition: During our cash receipts testwork, we noted the following cash receipts were not deposited within the 24-hour requirement. We noted two of ten transactions tested, in the amounts of $2,849.06 and $10,000 that were received on November 14, 2014 and September 29, 2014, respectively, and were not deposited until November 18, 2014 and October 1, 2014, respectively.

Criteria: NMAC 6.20.2.14.C states "money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day."

Effect: The School was not in compliance with New Mexico State statute as stated above.

Cause: The School's policies and procedures regarding cash receipts are not being enforced.

Recommendation: Implement policies and procedures to ensure deposits are made within 24 hours of the cash receipt or apply for an exception to this requirement as stated in the statute 6.20.2.14 C. that "If the distance to the bank is considerable, or the cash collection is limited to small amounts and/or low volume and it is impractical to meet the twenty-four/one banking day requirement, the board may request approval from the department for an alternative plan. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference."

Management's Response: The School will enforce school policies and procedures to ensure deposits are made within the 24 hours of cash receipt. The School has designated WHCS Business Manager, WHCS Principal and/or designee to deposit cash receipts within the 24 hour window. In case deposit cannot be made in the timeframe allotted, WHCS Business Manager will provide documentation and deposit next business day.

WALATOWA HIGH CHARTER SCHOOL (CONTINUED)

2013-004 Travel & Per Diem/Internal Controls (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: During our testwork of travel and per diem, we noted itemized meal receipts that were not included in the supporting documentation prior to the employee reimbursement for the total amount of $55.25.

Criteria: Per NMAC 6.20.2.11, every School shall establish and maintain an internal control structure that ensures 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.

Effect: The School is not in compliance with New Mexico State statute regarding per diem and travel requirements.

Cause: Lack of internal controls to ensure the School follows travel and per diem guidelines during travel by School employees.

Recommendation: Follow the Travel and Per Diem and Mileage Act for local governments as well as those guidelines stated in the School's policies and procedures that itemized receipts must be included in supporting documentation upon submitting a request for reimbursement.

Management's Response: WHCS Corrective Action

- Board will approve Travel & Per Diem reimbursement based on Internal Revenue Service annual standard.
- Mileage will be based utilizing the Rand McNally mileage calculator
- Itemized receipt will be required before reimbursement is processed.

2014-001 Internal Control Structure- (Non- Compliance in accordance with the New Mexico State Audit Rule)

Condition: During our cash receipts testwork, we noted that the School had receipts from student activities, such as athletic events, game tickets and concessions, and various fundraisers. We performed the cash receipts test work regarding these activities and noted the following:

- Athletic events tested did not have supporting documentation regarding cash receipts in the total of $9,202 for various events during the School year. In addition, for the athletic events there was no reconciliation of total tickets issued and sold for these events (excluding district games).
- Cash collections from Prom 2015 generated revenue of $1,226. There was no supporting documentation on how much was collected.

WALATOWA HIGH CHARTER SCHOOL (CONTINUED)

2014-001 Internal Control Structure- (Non- Compliance in accordance with the New Mexico State Audit Rule)(Continued)

Criteria: NMAC 6.20.2.11 requires that every school district maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use of dispositions.

Effect: The School was not in compliance with New Mexico State statute regarding cash receipts collected at student activities. Additionally, the School is exposed to misappropriation of assets due to the lack of multiple independent cash counts at sporting events.

Cause: Due to the availability of staff, the School has difficulty performing independent counts at sporting events at the School and the School does not have policies and procedures in place for cash receipts collected at sporting events and for other events.

Recommendation: Ensure policies and procedures are implemented to safeguard cash collected at student activity events, i.e. sporting events. The following controls should be implemented:

- Cash should be collected by at least two individuals. Each person should have their own bank which is maintained and then counted by another individual. Once counted by more than one individual, the total amount should be documented and the individuals who performed the count should sign the cash count form.
- The School should use prenumbered tickets for all sporting events. The number of tickets used for a sporting event should be documented and tracked. Once the event is completed, the School should reconcile the number of tickets sold to the total amount of cash collected. Any discrepancies should be investigated.

Management's Response: WHCS Corrective Action: (Process)

- WHCS will distribute pre-numbered tickets to verify for all sporting events for tracking.
- Once event is completed, WHCS will reconcile the number of tickets sold to the total amount of cash collected.
- Two designated WHCS employees will review tickets sold, collect and count cash, secure documented amount in WHCS facility.
- Within 24 hours, deposit amount at bank and return receipt to WHCS Business Manager for review. All bank deposits and cash count are to coincide. In case deposit cannot be made in the timeframe allotted, WHCS Business Manager will provide documentation and deposit next business day.

WALATOWA HIGH CHARTER SCHOOL (CONTINUED)

2014-002 – Payroll Transactions (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: During testwork performed on 25 employee personnel files, we noted the following:

- I-9 forms were present in the employee files for 12 employees tested but were not complete with employer review and approval. One I-9 form was complete but the employee authorized their own review of personnel documents.
- Background results for 11 employees were not on file. In addition, we noted a background check for one employee was completed March 26, 2015 which is subsequent to employment of July 30, 2014 per the employee contract.

Criteria: State regulation 6.20.2.18, NMAC states that the School must maintain and have available for inspection all payroll related documentation, including but not limited to employee contracts, I-9's, W-4's, timecards.
According to 22-10.3.3 NMSA 1978 policies and procedures should be developed requiring background checks on an applicant who has been offered employment with unsupervised access to students at a charter school.

Effect: The School has a potential for lawsuits, as it is not protecting itself by performing background checks required by state statute as stated above. Completed I-9 forms are important since they document the identity and employment of new employee (both citizen and noncitizen).

Cause: Employee files were not properly maintained and kept up to date to include all changes to employee information. Portions of supporting documentation were kept but information was not complete for review.

Recommendation: We recommend the School review their personnel files to ensure all required documents are completed and maintained. We also recommend the School review their policies and procedures manual regarding background checks and ensure that each employee has been given a background check before their date of hire.

Management's Response: The School has reviewed and corrected unsigned documents. WHCS Business Manager and WHCS Superintendent/Principal or appointed designee will ensure that all reviewed and signed supporting documentation is in employee file prior to employment.

All employees will be required to complete and/or update all background checks which will be placed in personnel file no later than January 2016. The School is in process with Cogent Background Services to complete all background checks for employees.

WALATOWA HIGH CHARTER SCHOOL (CONTINUED)

2015-001 Budget Adjustment Requests (BAR) (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: Five of the five budget adjustment requests tested were not specifically included in the governing council meeting minutes as having been reviewed and approved prior to submitting the budget adjustment request to PED.

Criteria: As stated in the Financial Policies for Walatowa High Charter School, "the business manager will submit the proposed modified budget to the Executive Director or designee for approval. Once approved by the Executive Director or designee, the proposed modified budget is submitted to the Governing Board for approval at a scheduled meetings. If the changes are approved, the approval is noted in the meeting minutes. A budget adjustment request is then submitted either electronically or manually to the Public Education Department for approval."

Effect: When BAR's are not first discussed with the Governing Council, this prevents the council from having accurate information regarding the budget in order to make decisions. They are also unaware of the balance changes that the school is requesting.

Cause: Governing Council minutes stated the board approved BAR adjustments but did not include the details as to which BAR was discussed and approved.

Recommendation: Ensure minutes include necessary detailed information pertaining to all items discussed, prior to being approved by the Council. The minutes should clearly document the approved budget adjustment request in the board minutes.

Management's Response: Budget adjustment request and Governing Board approval will be noted in meeting minutes. Names of the Governing Board members that approved budget adjustments will be reflected in Governing Board meeting minutes.

2015-002 Internal Control– (Non-compliance in accordance with the New Mexico State Audit Rule)

Condition: During testwork performed on journal entries, we noted the following:

- Four of the six journal entries tested totaling $11,476.38, had no evidence that the entry was reviewed by a secondary reviewer before posting to the general ledger.
- Six of the six journal entries tested totaling $117,151, did not have supporting documentation for the respective entry.

Criteria: Per 6.20.2.11 of NMAC section B which states that each school district shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

WALATOWA HIGH CHARTER SCHOOL (CONTINUED)

2015-002 Internal Control– (Non-compliance in accordance with the New Mexico State Audit Rule)(Continued)

Effect: Lack of supporting documentation for journal entries can lead to an increased risk of fraud or improper posting of journal entries. The posting of journal entries to the incorrect fund or journal entries that do not balance can cause material misstatement to the financial statements. The business manager could make entries that could be inappropriate and would not be detected or corrected when journal entries are not properly and consistently reviewed.

Cause: The School is not consistently following their financial policies and procedures.

Recommendation: The journal entries should be presented to the executive director or finance committee with supporting documentation and properly approved prior to posting to ensure that the accounts and balances are accurate.

Management's Response: All journal entries are submitted to Walatowa High Charter School Superintendent/Principal for approval and Business Manager and will include detailed supporting documents'.

2015-003 Grants Management – Accounts Receivable (Significant deficiency)

Condition: During testwork performed on accounts receivable, we noted the following which required adjusting journal entries:

- Capital Improvements SB-9 (Fund 31700) had expenditures recorded at year-end, however no revenues or receivables were recorded. A request for reimbursement was submitted but not recorded or received as of October 2015.
- GEAR UP (Fund 25205) showed a significant net loss for the year. A request for reimbursement was submitted but not recorded or received as of October 2015. Subsequent to fieldwork, the granting agency provided the school a letter decreasing the reimbursement for disallowed expenditures.
- Indian Education (Fund 27150) showed an overall net loss for the year. Five requests for reimbursements were submitted and received subsequent to year-end, two requests were not fully reimbursed.

Criteria: The School must have a system in place to track revenues and expenditures for each fund, including requests for reimbursements.

Effect: The School is not properly recording revenues and expenditures for each fund.

Cause: The school does not have a system in place for tracking requests for reimbursement. There is no reconciliation in place to compare the funds received to the funds requested.

WALATOWA HIGH CHARTER SCHOOL (CONTINUED)

2015-003 Grants Management – Accounts Receivable (Significant deficiency)(Continued)

Recommendation: Establish a tracking system for requests for reimbursements that identifies the date submitted and date received, along with any variance in the amount received and disallowed costs. The School should establish a process to follow up on any pending request for reimbursements within a reasonable period of time.

Management's Response: WHCS has received all Requests for Reimbursements' for all Capital Improvements SB-9, NM Gear-Up and Indian Education after October, 2015. WHCS has a file for each of all Funds' that require RfRs' and makes' copies' of all RfR's that process through OBMS and PED.

2015-004 - Budgetary Conditions (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: The School did not properly budget prior year cash carry-over in the following funds:

- Impact Aid Special Education (25147) – prior year cash of $31,872 was insufficient to cover the current year final budget deficit of $37,619.
- Center for Native Education (26181) – prior year cash of $5,583 was insufficient to cover the current year final budget deficit of $7,672.
- New Mexico GEAR Up (28178) – prior year cash of $1,132 was insufficient to cover the current year final budget deficit of $1,165.

Criteria: Per NMAS 6.20.2.9 (A) every school district shall follow budget requirements stated in Sections 22-8-2 through 22-8-12.2, NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information.

Effect: The School is out of compliance with New Mexico state statute and the controls established by the use of budgets has been comprised, which would result in deficit fund balances and unnecessary usage of funds to cover the budgeted over expenditures.

Cause: The budget adjustment request did not consider prior year carry-over amounts for the above funds and budget adjustment requests were not prepared and submitted to PED.

Recommendation: We recommend that the School establish a policy where the budget is reviewed at the end of each quarter and give consideration to deficits and ensure that designated cash is available to cover such overages.

Management's Response: WHCS did have in place BARs' for carry-over monies and WHCS Governing Board approves the RfRs' which are then submitted through OBMS for PED approval. This was also explained to the auditor during WHCS's exit meeting and we took a copy of the PED approved BAR.
Fund 26181-This fund is no longer in existence, this was explained to the auditor during the WHCS's exit meeting.

WALATOWA HIGH CHARTER SCHOOL (CONTINUED)

2015-004 - Budgetary Conditions (Non-Compliance in Accordance with the New Mexico State Audit Rule)(Continued)

Fund 28178- This fund has been re-assigned as Fund 25205, NM Gear-Up. No expenditures' have been expended since WHCS needs' prior approval from HED-NM Gear-Up.

2015-005- Bank Accounts and Bank Reconciliations (Significant Deficiency)

Condition: During testwork performed over cash, we noted the following items on the June 2015 bank reconciliation:

- Six items dated from June 30, 2012 through October 27, 2014 were identified as outstanding deposits; however, these are adjustments to correct cash balances that are carried forward each month.
- Five items listed as outstanding checks were dated prior to July 1. 2014.
- One item was listed as an outstanding payment for April 2015, however it cleared the bank in May 2015 and was not removed from the outstanding check list.
- The June 2015 bank reconciliation listed four payroll items as outstanding payments that were not processed or submitted electronically until July 2015.

- The June 2015 bank reconciliation identified a payroll transaction as clearing the bank in June, however the payment did not clear the bank until July 2015.

Criteria: Per NMAC 6.20.2.14 Cash Control Standards, bank accounts shall be reconciled on a monthly basis and school districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting.

Effect: The School is not properly recording cash transactions and reporting accurate cash balances. The cash balance at year-end could be understated due to stale-dated items and items identified as outstanding that are not.

Cause: The business manager records payroll transactions when payroll is processed, however, these payments do not get submitted electronically until the subsequent month, and the amount of the payment may differ. The business manager has encountered problems preparing the bank reconciliations in the accounting system and has not been able to resolve the issues.

Recommendation: The business manager should obtain training or assistance from AptaFund to resolve any issues. Outstanding items should be reviewed monthly and resolved in a timely manner. Payments should be recorded in the month they occur.

Management's Response: WHCS has been working with Aptafund to resolve the stale checks'-in progress. Payroll expenditures' are due on the 5th and 10th of the following month. This was also

WALATOWA HIGH CHARTER SCHOOL (CONTINUED)

2015-005- Bank Accounts and Bank Reconciliations (Significant Deficiency)(Continued)

explained to the auditor during the exit conference. These are the required payments' dates' from the prospective vendors'.

WILLIAM W. & JOSEPHINE DORN CHARTER SCHOOL

2014-001 Timely Deposits (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: During our review of a sample of 10 cash receipts, we noted the following issues:

- One cash receipt received was not deposited within twenty-four hours.
- One cash receipt was not documented correctly and consequently the auditors could not verify the promptness of the deposit.

Criteria: NMAC 6.20.2 states that "money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day." Section D of that same statute states that "a cash receipts journal is to be used for each fiscal year beginning July 1 and ending June 30, and is to be presented to the school district's auditor during the annual audit.

Effect: William W. & Josephine Dorn Charter School was not in compliance with State Statute. Additionally the School has exposed itself to possible misappropriation of assets.

Cause: William W. & Josephine Dorn Charter School did not maintain a cash receipts log.

Recommendation: Ensure the William utilizes a cash receipts log to document the date and amount of each receipt and create a procedure to ensure that all funds are deposited within 24 hours of receipt.

Management's Response: The School has created a cash receipt log to document the date and amount of each receipt collected by the school. This will also help ensure that all money received is deposited within a 24-hour period. Administrative staff and the principal will be responsible for ensuring that this be corrected.

2014-002 Personnel File Maintenance (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition- During our review of a sample of 25 employee files, we noted two instances where employee background checks were not available for the auditors review.

Criteria: According to 22-10.3.3 NMSA 1978, policies and procedures should be developed requiring background checks on an applicant who has been offered employment with unsupervised access to students at a charter school.

WILLIAM W. & JOSEPHINE DORN CHARTER SCHOOL (CONTINUED)

2014-002 Personnel File Maintenance (Non-Compliance in Accordance with the New Mexico State Audit Rule)(Continued)

Effect: Potential litigation exits as the William W. & Josephine Dorn Charter School is not performing background checks required by state statute.

Cause: The School did not properly complete and/or maintain employee background check documentation.

Recommendation- Ensure that the School reviews personnel files periodically to ensure that all the required documents have been obtained and that the files are complete.

Management's Response: The School did make sure that all employees had a background check, however, the background checks were not printed and placed in the employee folder. The school now knows how to download the background checks and will print a copy and place it in the employee file. Administrative staff and the principal will be responsible for ensuring that this be corrected.

2014-005 Documentation of Minutes (Non-compliance in Accordance with the New Mexico State Audit Rule)

Condition: During our review of the minutes for the Governance Council, we noted that formal minutes were not always maintained. We noted instances where the agendas were used as the minutes for the meeting. Additionally, minutes were not always adequately detailed.

Criteria: Per NMSA 10-15-1, the minutes shall include at a minimum the date, time, and place of the meeting, the names of members in attendance and those absent, the substance of the proposals considered and a record of any decisions and votes taken that show how each member voted.

Effect: William W. & Josephine Dorn Charter School is not in compliance with State Statute.

Cause: William W. & Josephine Dorn Charter School has had several different recorders for the minutes and the applicable requirements are not being followed consistently.

Recommendation: William W. & Josephine Dorn Charter School should follow the open meeting act in regards to documenting the schools minutes.

Management's Response: The School will ensure that the board minutes are more detailed. Governing Council will be responsible for correcting the minutes.

WILLIAM W. & JOSEPHINE DORN CHARTER SCHOOL (CONTINUED)

2015-001 Excess of Expenditures over Budget (Non-Compliance in Accordance with the New Mexico State Audit Rule)

Condition: William W. & Josephine Dorn Charter School had expenditure functions where actual expenditures exceeded budgetary authority by the following amounts:

Operational (11000)	
Food Service Operations	$22
K-3 Plus (27166)	
Operation of Plant	$38

Criteria: Per NMAC 6.20.2.9 (A) every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12.2, NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information. Budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed

Effect: William W. & Josephine Dorn Charter School expenditures in the above functions exceeded the total approved budgeted expenditures by $22 and $38.

Cause: Budgetary controls were not in place to adequately monitor and regularly compare budget to actual results. As a result, measures were not taken to avoid the amount that actual expenditures exceeded the approved budgets for the William W. & Josephine Dorn School's Operational and K-3 plus funds.

Recommendation: Controls should be implemented to ensure that budgeted amounts are compared to actual on a regular basis and the budget effectively utilized for controlling expenses and managing cash flow.

Management's Response: The School will ensure the controls are being followed and that the budget is being reviewed on a regular basis. The school will create BARs as needed to make sure that the actual expenditures do not exceed the budget. The Business Manager will be responsible for ensuring the Budget is correct.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015

Public Education Department

2011-001	Financial Close and Reporting	Resolved
2012-005	Review of Security Logs and Monitoring of Scheduled Jobs	Resolved
2013-001	Error in Funding Calculation for State Equalization Grants Funds	Resolved
2013-002	Fund Balance Restatement	Resolved
2013-003	Improve Other IT General Controls	Repeated
2013-005	Untimely Reversions	Repeated
2013-006	Final Approved Grant Application Not Posted to Website	Resolved
2014-001	Journal Entry	Resolved
2014-002	Internal Controls Over Cash Disbursements	Resolved
2014-005	Timely Filing of Data Collection Form	Resolved
2014-008	Capital Assets	Resolved
2014-009	Agency Fund Disbursements	Resolved
2014-010	Due Date of Audit Report	Resolved
SEA MOE 001	State MOE Process and Procedure	Resolved
SEA MOE 002	Violations of PED's 2007 Policy	Resolved
SEA MOE 003	New Mexico Certification of Compliance with SEA MOE for 2010 was Incorrect	Resolved
SEA MOE 004	PED's 2007 Policy Should be Updated	Resolved
SEA MOE 005	Document Review and Approval of State MOE	Resolved
SEA MOE 006	Communications to Parties External to PED	Resolved
SEA MOE 007	Information Needed from Other State Agencies	Resolved
SEA MOE 008	Standardized Approach for SEA MOE	Resolved
LEA MOE 009	Documentation of LEA MOE Process	Resolved
LEA MOE 010	Documentation and Assumption of Responsibilities for LEA MOE Compliance for Some Charter Schools	Resolved

Division of Vocational Rehabilitation

2012-002	Financial Close and Reporting	Resolved
2013-002	Capital Assets	Resolved
2014-003	Improve General IT Controls	Repeated
2014-004	Internal Controls Over Cash Disbursements	Repeated
2014-006	Period of Availability	Resolved
2014-007	Eligibility	Repeated

Academy of Trades and Technology

2014-001	Internal Control of Cash Disbursements	Resolved

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
Year Ended June 30, 2015

Academy of Trades and Technology Foundation		
2012-002	Foundation - Internal Control Structure	Repeated
2013-001	Foundation – Composition of Board	Repeated
Ace Leadership High School		
2014-001	Composition of Board	Resolved
Albuquerque Institute for Mathematics & Science		
2014-001	New Mexico Educational Retirement Board and Retiree Health Care Act Contributions Testing	Resolved
Albuquerque School of Excellence		
2014-001	Personnel Files and Payroll Approval	Resolved
2014-002	Travel and Per-Diem	Resolved
Albuquerque Sign Language Academy		
2014-001	Travel and Per-Diem	Repeated
2014-002	Staff Qualifications	Repeated
Aldo Leopold High School		
2011-007	State Cash Report	Resolved
Alma D'Arte Charter High School		
2014-001	Timely Deposits	Repeated
2014-002	Budgetary Conditions	Resolved
Amy Biehl Charter High School		
2014-001	Mileage Reimbursements	Repeated
2014-002	Authorized Rate of Pay	Resolved
2014-003	Personnel Files	Resolved
2014-004	Lack of Segregation of Duties	Resolved
Anthony Charter School		
2014-001	Timely Deposits	Repeated
2014-002	Mileage Reimbursements	Repeated
2014-003	Audit Committee	Repeated
2014-004	Supporting Documentation	Resolved
Ask Academy		
2013-001	Timely Deposits	Repeated

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
Year Ended June 30, 2015

Cesar Chavez Community School

2013-001	Disposition of Capital Assets	Resolved
2014-001	Educational Retirement Board (ERB) and Retiree Health Care (RHC) Contributions	Resolved
2014-002	Payroll Documents	Resolved

Cien Aguas International School

2013-001	Contracting	Resolved
2013-002	Audit Committee	Resolved
2014-001	Travel and Per Diem	Repeated
2014-002	Personnel Files and Benefits Documentation	Repeated
2014-003	Staff Qualifications	Repeated
2014-004	Segregation of Duties	Resolved

Coral Community Charter School

2014-001	Timely Deposits	Repeated
2014-002	Internal Control Structure	Repeated

Cottonwood Classical Preparatory School

2014-001	Compliance with Bond Covenants	Resolved
2014-002	Compliance with Payroll Recordkeeping	Repeated
2014-003	Violation of the New Mexico Anti-Donation Clause	Repeated

Creative Education Preparatory Institute

2009-024	PED Cash Report	Repeated
2011-001	Internal Control Structure	Repeated
2011-002	Budgetary Conditions	Repeated
2011-003	Bank Accounts	Repeated
2012-003	ERB Contributions	Repeated
2013-001	Procurement Code and Related Contract with Vendor	Resolved
2013-002	IDEA-B – Cash Management	Repeated
2014-001	Lack of Segregation of Duties	Repeated
2014-002	Retiree Health Care Contributions	Repeated
2014-003	Purchase Orders	Repeated
2014-004	Timely Deposits	Resolved
2014-005	Mileage Reimbursements	Repeated

East Mountain High School

2014-001	Grant Compliance	Resolved
2014-002	Purchase Orders Subsequent to Invoice	Repeated
2014-003	Mileage Reimbursements	Repeated

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
Year Ended June 30, 2015

Estancia Valley Classical Academy

2014-001	Timely Deposits	Resolved
2014-002	Financial Statement Preparation	Resolved
2014-003	Foundation Account Reconciliations	Resolved

Gilbert L. Sena Charter High School

2014-001	Supporting Documentation	Repeated
2014-002	Pledged Collateral	Resolved

Health Leadership High School

2014-001	Submission of Claim Reports	Resolved
2014-002	Audit Committee	Resolved

Horizon Academy West

2014-001	Payroll Transactions	Repeated
2014-002	Timely Deposits	Resolved
2014-003	Internal Control Structure	Resolved
2014-004	Budget Adjustment Requests	Resolved
2014-005	Violation of the New Mexico Anti-Donation Clause	Repeated

International School at Mesa Del Sol

2013-001	Audit Committee/Exit Conference	Resolved
2014-001	Mileage Reimbursements	Repeated
2014-002	Pledged Collateral Requirements	Resolved

J. Paul Taylor Academy

2014-001	Supporting Documentation	Repeated

La Jicarita Community School

2013-002	Internal Control Structure	Resolved
2014-001	Travel and Per-Diem	Resolved
2014-002	Internal Control Structure	Resolved
2014-003	Payroll and Personnel Files	Repeated
2014-004	Procurement	Resolved

La Promesa Early Learning Center

2014-001	Purchase Orders Subsequent to Invoice	Repeated
2014-002	Educational Retirement Board Contributions	Resolved
2014-003	Budgetary Condition	Resolved

La Resolana Leadership Academy

2014-001	Negative Total Net Position	Resolved

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
Year Ended June 30, 2015

La Tierra Montessori School for the Arts and Sciences		
2014-001	Cash Disbursements Transaction Cycle Control Deficiencies	Resolved
Masters Program		
2014-001	Mileage Reimbursements	Repeated
2014-002	Procurement Documentation	Repeated
2014-003	Personnel Files	Repeated
McCurdy Charter School		
2013-002	Procurement	Resolved
2014-001	Journal Entry Process	Resolved
2014-002	Internal Control Environment	Resolved
2014-003	Non-compliance with Cash Deposit Requirements	Repeated
2014-004	Controls over Cash Disbursements Cycle	Resolved
2014-005	Controls Over Payroll Disbursements Cycle	Resolved
2014-006	Compliance with Pledged Collateral Requirements	Repeated
2014-007	Expenditures in Excess of Budgeted Amounts	Repeated
Media Arts Collaborative Charter School		
2014-001	Mileage Reimbursements	Repeated
Mission Achievement and Success		
2014-001	Purchase Order Subsequent to Invoice	Repeated
2014-002	Mileage Reimbursements	Repeated
Montessori Elementary		
2010-030	Budgetary Conditions	Resolved
2010-031	Budget Adjustment Requests (BAR)	Resolved
New America School		
2012-002	Internal Control Structure	Repeated
2014-001	RHC Contributions	Resolved
New America School – Las Cruces		
2014-001	Mileage Reimbursements	Repeated
2014-002	Timely Deposits	Repeated
New Mexico Connections Academy		
2014-001	Pledged Collateral Requirements	Resolved
2014-002	Mileage Reimbursements	Repeated
2014-003	Dual Signatures on Checks	Repeated
2014-004	Purchase Order Subsequent to Invoice	Repeated

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
Year Ended June 30, 2015

New Mexico Connections Academy (Continued)		
2014-005	Timely Deposits	Resolved
2014-006	Budgetary Conditions	Resolved
New Mexico International School		
2014-001	Account Reconciliations	Resolved
2014-002	Excess Expenditures Over Budget	Resolved
2014-003	Disposition of Equipment	Resolved
2014-004	Personnel Files and Benefit Deductions	Resolved
2014-005	Cash Deposits	Repeated
New Mexico School for the Arts		
2014-001	Procurement Code	Resolved
2014-002	Internal Control Structure	Resolved
2014-003	Travel and Per Diem	Resolved
North Valley Academy		
2014-001	Dual Signature on Checks	Resolved
2014-002	Mileage Reimbursements	Repeated
2014-003	Pledged Collateral	Resolved
Ralph J Bunche Academy		
2009-164	Internal Control Structure	Resolved
2014-001	Dual Signatures on Checks	Resolved
2014-002	Mileage Reimbursements	Resolved
2014-003	Personnel Files	Resolved
2014-004	Budget Adjustment Requests	Resolved
Red River Valley Charter School		
2014-001	Personnel Files and Benefits Documentation	Resolved
2014-002	Transportation Funds	Resolved
Sage Montessori Charter School		
2014-001	Cash Receipts	Resolved
2014-002	Personnel Files	Repeated
2014-003	Internal Control Structure	Resolved
School of Dreams Academy		
2014-001	Per Diem and Mileage Act	Repeated
Southwest Aeronautics, Mathematics, & Science Academy		
2014-001	Lack of Internal Controls over Accounting Records	Repeated
2014-002	State Audit Rule	Repeated

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
Year Ended June 30, 2015

Southwest Intermediate Learning Center		
2014-001	Lack of Internal Controls over Accounting Records	Repeated
2014-002	State Audit Rule	Repeated
Southwest Primary Learning Center		
2014-001	Lack of Internal Controls over Accounting Records	Repeated
2014-002	State Audit Rule	Repeated
Southwest Secondary Learning Center		
2014-001	Lack of Internal Controls over Accounting Records	Repeated
2014-002	State Audit Rule	Repeated
Taos Academy		
2014-001	Procurement Code	Repeated
Taos Integrated School of the Arts		
2014-001	Timely Deposits	Resolved
The Learning Community Charter School		
2009-003	Internal Control Structure	Repeated
2013-002	Procurement Code	Repeated
2014-001	Internal Control Structure	Repeated
2014-002	Personnel File Maintenance	Resolved
2014-003	Timely Deposits	Resolved
Tierra Adentro		
2014-001	Internal Control Structure and Prepayment for Services	Repeated
Uplift Community School		
2013-002	Internal Control Structure	Repeated
2014-001	Supporting Documentation	Repeated
2014-002	State Auditor Notification	Resolved
2014-003	Mileage Reimbursements	Repeated
2014-004	Budgetary Conditions	Repeated
Walatowa High Charter School		
2013-001	Timely Deposits	Repeated
2013-004	Travel and Per Diem	Repeated
2013-008	Employee Contract	Resolved
2014-001	Internal Control Structure	Repeated

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
Year Ended June 30, 2015

Walatowa High Charter School (Continued)		
2014-002	Payroll Transactions	Repeated
William W. & Josephine Dorn Charter Community School		
2014-001	Timely Deposits	Repeated
2014-002	Personnel File Maintenance	Repeated
2014-003	Procurement Code	Resolved
2014-004	Budget Adjustment Requests (BAR)	Resolved
2014-005	Documentation of Minutes	Repeated

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Public Education Department

Date of Exit Conference:	November 25, 2015	
Representing Public Education Department:	Mark Gonzales	Audit and Accounting Supervisor Administrative Services Division
	Marian Rael	Chief Financial Officer
	Eileen Marrojo Gallegos	Director of Operations
	Paul Agular	Deputy Secretary, Finance and Operations
	Hanna Skandera	Secretary of Education
	Michael Mulligan	Administrative Services Director of DVR
Representing Axiom CPAs and Business Advisors LLC:	Chris Garner	Partner
	Miranda Mascarenes	Audit Supervisor

Department of Vocational Rehabilitation

Date of Exit Conference:	November 25, 2015	
Representing Department of Vocation Rehabilitation:	Mark Gonzales	Audit and Accounting Supervisor Administrative Services Division
	Marian Rael	Chief Financial Officer
	Eileen Marrojo Gallegos	Director of Operations
	Paul Agular	Deputy Secretary, Finance and Operations
	Hanna Skandera	Secretary of Education
	Michael Mulligan	Administrative Services Director of DVR
Representing Axiom CPAs and Business Advisors LLC:	Chris Garner	Partner
	Miranda Mascarenes	Audit Supervisor

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Academy of Trades and Technology

Date of Exit Conference:	November 19, 2015	
Representing Academy of Trades and Technology:	Harold Field	Board Member
	Lee Maxwell	Board Member
	Lori Lajacno	Principal
	Al Martinez	Business Manager
Representing Pattillo Brown and Hill:	John Gordon	Partner

ACE Leadership High School

Date of Exit Conference:	November 20, 2015	
Representing ACE Leadership High School:	Sam Hatchell	Board President
	Clark Cagle	Board Treasurer
	Tori-Stephens-Shauger	Head Administrator/Principal
	Leslie Lujan	Business Manager/Finance Director
	Denise Wadkins	Board Treasurer for the Foundation
	Angela Davis	Foundation - Contracted Accountant
Representing Pattillo Brown and Hill:	John Gordon	Partner
	David Baca	Senior Auditor

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Albuquerque Institute for Mathematics & Science

Date of Exit Conference:	November 30, 2015	
Representing Albuquerque Institute for Mathematics & Science:	Jolene Jaramillo	Business Manager
	Steven Smith	Board Member
	Andy Vikta	Board Member
	Kathy Sandoval	Director
Representing Axiom CPAs and Business Advisors LLC:	Chris Garner	Partner

Albuquerque School of Excellence

Date of Exit Conference:	November 25, 2015	
Representing Albuquerque School of Excellence:	Sean Fry	Business Manager
	Salih Aykac	Principal
	Prince Thomas	Audit Committee Member
	Mehmet Su	Governing Council Member
Representing Loftis Group LLC:	Armando Sanchez	Principal

Albuquerque Sign Language Academy

Date of Exit Conference:	November 30, 2015	
Representing The Albuquerque Sign Language Academy:	Raphael Martinez	Executive Director
	Ruby Chavez	Business Manager
	Kimberly Silva	Board Chair
Representing Loftis Group LLC:	Armando Sanchez	Principal

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Aldo Leopold High School

Date of Exit Conference:	November 23, 2015	
Representing Aldo Leopold High School:	Harry Browne	Business Manager
	Mattie Eagle, CPA	Community Representative
	David Peck	Governing Council Member
	Ken Stone	Governing Council Chair
Representing Pattillo Brown and Hill:	John Manning	Partner

Alma D' Arte Charter High School

Date of Exit Conference:	December 1, 2015	
Representing Alma D' Arte Charter High School:	Mark Hartshorne	Principal
	Casilda Provencio	Governing Council Member
	Bill Brogan	Governing Council Member
	Juliette Sanchez	Business Manager
Representing Pattillo Brown and Hill:	Paula Lowe	Partner

Amy Biehl Charter High School

Date of Exit Conference:	November 5, 2015	
Representing Amy Biehl Charter High School:	Cliff Wintrode	Board Member
	Leslie Andrews	Board Member
	Betty Seeley	Director of Finance
	Aldis Philipbar	Advancement Coordinator for Foundation
Representing Pattillo Brown and Hill:	David Baca	Senior Auditor

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Anthony Charter School

Date of Exit Conference:	December 1, 2015	
Representing Anthony Charter School:	Mike Vigil	Business Manager
	Dr. Abe Arnendariz	Principal
	Denise Marnalego	Office Manager
	Rudy Franco	Board President
Representing Pattillo Brown and Hill:	John Manning	Partner

Ask Academy

Date of Exit Conference:	November 24, 2015	
Representing The Ask Academy:	Michael Smith	Board Chair
	Daniel Barbour	Assistant GM
	Michael Vigil	Business Manager
	Justine Roybal	Business Manager
Representing Axiom CPAs and Business Advisors LLC:	Monica Yapel	Audit Manager

Cesar Chavez Community School

Date of Exit Conference:	October 22, 2015	
Representing Cesar Chavez Community School:	Rebekah Runyan	Business Manager
	Tani Arness	Executive Director/Principal
	Charleen Ayres	Governing Council Member
	Eric Onsurez	Audit Committee Member
Representing Loftis Group LLC:	Armando Sanchez	Principal

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Cien Aguas International School

Date of Exit Conference:	November 30, 2015	
Representing Cien Aguas International School:	Michael Rodriguez	School Director
	Ruby Chavez	Business Manager
	Lisa Meyer	Governance Council
Representing Loftis Group LLC:	Armando Sanchez	Principal

Coral Community Charter

Date of Exit Conference:	November 3, 2015	
Representing Coral Community Charter:	Donna Eldredge	Head Administrator
	Angie Lerner	Business Manager
	Tania Triolo	Governance Could Chair
	Michael Reeves	Governance Council Treasurer
	Allyson Pierce	Governance Council
	Melody Chavez	Governance Council
Representing Loftis Group LLC:	Armando Sanchez	Principal

Cottonwood Classical Preparatory School

Date of Exit Conference:	November 24, 2015	
Representing Cottonwood Classical Preparatory School:	Nick Williams	Governing Council Treasurer and Audit Committee Member
	Michael Vigil	Business Manager
Representing Axiom CPAs and Business Advisors LLC:	Monica Yapel	Audit Manager

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Creative Education Preparatory Institute #1

Date of Exit Conference:	November 23, 2015	
Representing Creative Education Preparatory Institute:	Pam Romero	Board Member
	Christopher Hotchkiss	Chief Executive Officer
	Suzy Sanchez	Business Manager
Representing Pattillo Brown and Hill:	John Gordon	Partner
	David Baca	Senior Auditor

Dream Dinè Charter School

Date of Exit Conference:	November 10, 2015	
Representing Dream Dinè Charter School:	Gavin Sosa	Director of Operations
	Sandy Berry	Assistant Director of Operations
	Talita Salinsky	President/Audit Committee
	Clarence Hogue	Board Member/Audit Committee
	Deanna Gomez	Business Manager
Representing Loftis Group LLC:	Armando Sanchez	Principal

East Mountain High School

Date of Exit Conference:	November 18, 2015	
Representing East Mountain High School:	Dennis Hodges	Board Chair
	Kay Girdner	Business Manager
	Lori Webster	Development Director/Foundation
Representing Pattillo Brown and Hill:	David Baca	Senior Auditor

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Estancia Valley Classical Academy

Date of Exit Conference:	November 19, 2015	
Representing Estancia Valley Classical Academy:	Harlan Lawson	Governing Council Member
	Tim Theiry	Executive Director
	Holly Massey	Business Manager
	William Allen Mackrain	Audit Committee Member
	Jayme Nykanen	Audit Committee Member
Representing Loftis Group LLC:	Armando Sanchez	Principal

Explore Academy

Date of Exit Conference:	November 20, 2015	
Representing Explore Academy:	Michael Vigil II	Lead Business Manager
	Kyle Hunt	Business Manager
	Justin Baiardo	Founder/Academic Director
	Vicky McCarthy	Principal
Representing Axiom CPAs and Business Advisors LLC:	Jim Cox	Audit Manager
	Rebekah Boron	Staff Accountant

Gilbert L. Sena Charter High School

Date of Exit Conference:	November 17, 2015	
Representing Gilbert L. Sena Charter High School:	Mary Louise Sena	Board Member
	Linda Bradley	Board Member
	George Lucero	Board Member
	Nadine Torres	Executive Director
	Mike Vigil II	Business Manager
	Ashley Rodriguez	Business Manager
Representing Pattillo Brown and Hill:	David Baca	Senior Auditor

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GREAT Academy

Date of Exit Conference:	November 19, 2015	
Representing The Great Academy:	Helen Brown	Board Member
	Jasper Matthews	Executive Director
	Chenyu Liu	Business Manager
Representing Pattillo Brown and Hill:	John Gordon	Partner

Health Leadership High School

Date of Exit Conference:	November 30, 2015	
Representing Health Leadership High School:	Blanca Lopez	Executive Director
	David Vigil	Business Manager
	Norma Valdez	Governance Council Treasurer
Representing Loftis Group LLC:	Armando Sanchez	Principal

Health Science Academy

Date of Exit Conference:	November 25, 2015	
Representing Health Science Academy:	Eileen Marrojos Gallegos	Director of Operations
	Paul Agular	Deputy Secretary, Finance and Operations
Representing Axiom CPAs and Business Advisors LLC:	Chris Garner	Partner

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Horizon Academy West

Date of Exit Conference:	October 28, 2015	
Representing Horizon Academy West:	Carrie Rodriquez	Governing Council Member
	Ruth Hoover	Audit Committee Member
	Shalon D'Elia	Office Manager
	Cynthia Carter	Principal
	Diana Cordova	Business Manager
Representing Loftis Group LLC:	Armando Sanchez	Principal

International School at Mesa Del Sol

Date of Exit Conference:	November 12, 2015	
Representing The International School at Mesa Del Sol:	Sakia King	Board Member
	Sean Joyce	Principal
	Elizabeth Romero	Business Manager
	Diana Hammond	Assistant Business Manager
Representing Pattillo Brown and Hill:	John Gordon	Partner

J. Paul Taylor Academy

Date of Exit Conference:	November 30, 2015	
Representing J. Paul Taylor Academy:	Vicki Chavez	Business Manager
	Aine Garcia-Post	Principal
Representing Pattillo Brown and Hill:	John Manning	Partner

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La Academia Dolores Huerta

Date of Exit Conference:	November 24, 2015	
Representing La Academia Dolores Huerta:	Jennifer Allen	Board Treasurer
	Diana Diaz	Assistant Principal
	Juliette Sanchez	Business Manager
Representing Patillo Brown and Hill:	David Baca	Senior Auditor

La Jicarita Community School

Date of Exit Conference:	November 24, 2015	
Representing La Jicarita Community School:	Ciny Aresenault	School Director
	Sarah Pina	Business Manager
	Maisa Schoenhaum	Governance Council Member
Representing Loftis Group LLC:	Armando Sanchez	Principal

La Promesa Early Learning Center

Date of Exit Conference:	November 23, 2015	
Representing La Promesa Early Learning Center:	Irene Byars	Board Member
	Dorinda Espinoza	Board Member
	Dr. Analee Maestas	Executive Director
	Rhonda Cordova	Business Manager
Representing Pattillo Brown and Hill:	David Baca	Senior Auditor

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La Resolana Leadership Academy

Date of Exit Conference:	November 13, 2015	
Representing La Resolana Leadership Academy:	Paula Farkas	Board Member
	Junstina Montoya	Principal
	Justine Roybal	Business Manager
Representing Pattillo Brown and Hill:	David Baca	Senior Auditor

La Tierra Montessori School of the Arts and Sciences

Date of Exit Conference:	November 25, 2015	
Representing La Tierra Montessori School of the Arts and Sciences:	Julie Ann Hill – Clapp	Board President
	Edwin Fernandez	Community Member
	John Sena	Parent Community
	Suzanne Lynne	Administrator
	Deanna Gomez	Contracted Finance Director/Business Management Consultant
Representing Axiom CPAs and Business Advisors LLC:	Chris Garner	Partner

MASTERS Program

Date of Exit Conference:	November 18, 2015	
Representing The MASTERS Program:	John Soggins	Board Member
	Jakub Svec	Board Member
	Anna Salzman	Head of School
	Mary Mumford	Business Manager
Representing Pattillo Brown and Hill:	John Gordon	Partner

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McCurdy Charter School

Date of Exit Conference:	November 25, 2015	
Representing McCurdy Charter School:	Nancy O'Bryan	Board Member
	Deborah Bennett – Anderson	Board President
	Janette Archuleta	Director Contracted Finance
	Deanna Gomez	Director/Business Management Consultant
Representing Axiom CPAs and Business Advisors LLC:	Chris Garner	Partner

Media Arts Collaborative Charter School

Date of Exit Conference:	November 20, 2015	
Representing Media Arts Collaborative Charter School:	John Dunphy	Board President
	Patti Gladstone	Audit Committee Member
	Glenna Voight	Principal
	Patrick Kelly	Business Manager
Representing Pattillo Brown and Hill:	Paula Lowe	Partner

Mission Achievement and Success Charter School

Date of Exit Conference:	November 19, 2015	
Representing Mission Achievement and Success Charter School:	Bruce Langston	Board Member
	JoAnn Myers	Principal
	Amber Peña	Business Manager
Representing Pattillo Brown and Hill:	John Gordon	Partner

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Montessori Elementary School

Date of Exit Conference:	November 12, 2015	
Representing The Montessori Elementary School:	Jeff Li	Board Member
	Mary Jane Besante	Principal
	Stan Albrycht	Business Manager/CFO
Representing Pattillo Brown and Hill:	David Baca	Senior Auditor

New America School

Date of Exit Conference:	November 2, 2015	
Representing New America School:	Craig Cook	Chief Business Officer
	Lorella Lovato	Assistant Business Manager
	LaTricia Mathis	Principal
	Mike Vigil II	Business Manager
	Juan Vigil	Governing Council Member
Representing Loftis Group LLC:	Armando Sanchez	Principal

New America School of Las Cruces

Date of Exit Conference:	November 23, 2015	
Representing New America School of Las Cruces:	Margarita Porter	Principal
	Veronica Gonzalez	Assistant Business Manager
	John Munoz	Governing Council President
	Mike Vigil II	Business Manager
Representing Pattillo Brown and Hill:	Paula Lowe	Partner

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New Mexico Connections Academy

Date of Exit Conference:	November 19, 2015	
Representing New Mexico Connections Academy:	Carlo Lucero	Board Member
	Jerry Schalow	Board Member
	Michael J. Vigil	Business Manager
	Justine Roybal	Business Manager
Representing Pattillo Brown and Hill:	David Baca	Senior Auditor

New Mexico International School

Date of Exit Conference:	November 30, 2015	
Representing New Mexico International School:	Todd Nause	Head of School
	Corinne Teller	Business Manager
	Edward Reyes	Governance Council Chair
Representing Loftis Group LLC:	Armando Sanchez	Principal

New Mexico School for the Arts

Date of Exit Conference:	October 29, 2015	
Representing New Mexico School for the Arts:	Cindy Montoya	Head of School
	Jolene Jaramillo	Business Manager
	Sherry Thompson	Governance Council Chair
Representing Loftis Group LLC:	Armando Sanchez	Principal

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North Valley Academy

Date of Exit Conference:	November 19, 2015	
Representing North Valley Academy:	Scott Fitzgerald	Board President
	Ray Barton	Board Member
	Susan McConnell	Principal
	Sara Piña	Business Manager
Representing Pattillo Brown and Hill:	David Baca	Senior Auditor

Ralph J. Bunch Academy

Date of Exit Conference:	November 25, 2015	
Representing Ralph J. Bunch Academy:	Eileen Marrojos Gallegos	Director of Operations
	Paul Agular	Deputy Secretary, Finance and Operations
Representing Axiom CPAs and Business Advisors LLC:	Chris Garner	Partner

Red River Valley Charter School

Date of Exit Conference:	November 20, 2015	
Representing Red River Valley Charter School:	Katy Pierce	Governing Council Treasurer
	Karen Phillips	Principal
	Domingo Sanchez	Business Manager
Representing Loftis Group LLC:	Lonnie Juarez	Principal

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Sage Montessori Charter School

Date of Exit Conference:	November 13, 2015	
Representing Sage Montessori Charter School:	Felix Garcia	Director/Head Administrator
	Michael Vigil	Business Manager
	Amber Pena	Business Manager
	Kenny Wang	Audit Committee Member/Governing Council
	Gerrit Kruidhof	Governing Council
	Margaret Cassidy Baca	Director
Representing Loftis Group LLC:	Armando Sanchez	Principal

School of Dreams Academy

Date of Exit Conference:	November 23, 2014	
Representing School of Dreams Academy:	Mike Ogas	Principal
	Kenneth Griego	Board Member
	Geri Bennett	Business Manager
Representing Axiom CPAs and Business Advisors LLC:	Chris Garner	Partner

South Valley Preparatory School

Date of Exit Conference:	November 23, 2015	
Representing South Valley Preparatory School:	Monica Ahuilar	Board Member
	Charlotte Trujillo	Principal
	Rhonda Cordova	Business Manager
Representing Pattillo Brown and Hill:	John Gordon	Partner

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Southwest Aeronautics, Mathematics, and Science Academy

Date of Exit Conference:	November 30, 2015	
Representing Southwest Aeronautics, Mathematics and Science Academy:	Larry Kenny	Governance Council President
	Rich Brody	Audit Committee Member
	Coreen Carrillo	Principal
	Ronda Joyce	Business Manager
	Kirk Hartom	Head Administrator
	Kyle Hunt	Business Manager
	Michael Vigil	Business Manager
Representing Axiom CPAs and Business Advisors LLC:	Chris Garner	Partner

Southwest Intermediate Learning Center

Date of Exit Conference:	November 30, 2015	
Representing Southwest Intermediate Learning Center:	Judy Chapman	Governance Council President
	Rich Brody	Audit Committee Member
	Kirk Hartom	Head Administrator
	Sean Fry	Business Manager
	Joseph Lucero	Business Manager
	Michael Vigil	Business Manager
Representing Axiom CPAs and Business Advisors LLC:	Chris Garner	Partner

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Southwest Primary Learning Center

Date of Exit Conference:	November 30, 2015	
Representing Southwest Primary Learning Center:	Ken Chapman	Governance Council President
	Rich Brody	Audit Committee Member
	Ronda Joyce	Business Manager
	Kirk Hartom	Head Administrator
	Sean Fry	Business Manager
	Michael Vigil	Business Manager
	Joseph Lucero	Business Manager
Representing Axiom CPA's and Business Advisors:	Chris Garner	Partner

Southwest Secondary Learning Center

Date of Exit Conference:	November 30, 2015	
Representing Southwest Secondary Learning Center:	Vic Fantozzi	Governance Council President
	Rich Brody	Audit Committee Member
	Kirk Hartom	Head Administrator
	Sean Fry	Business Manager
	Michael Vigil	Business Manager
	Joseph Lucero	Business Manager
Representing Axiom CPAs and Business Advisors LLC:	Chris Garner	Partner

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Taos Academy

Date of Exit Conference:	November 13, 2015	
Representing Taos Academy:	Tracis Filiss	Principal
	Deanna Gomez	Business Manager
	Bill McDonald	Governing Council/Audit Committee Member
	Karen Shannon	Governing Council Member
Representing Loftis Group LLC:	Armando Sanchez	Principal

Taos Integrated School of the Arts

Date of Exit Conference:	November 12, 2015	
Representing Taos Integrated School of the Arts:	Richard Greywold	Principal
	Deanna Gomez	Business Manager
	Matthew Sprigs	Audit Committee Member
	Annette Bowden	Audit Committee Member
	Chris Pieper	Governing Council Member
Representing Loftis Group LLC:	Armando Sanchez	Principal

Taos International Charter School

Date of Exit Conference:	November 9, 2015	
Representing Taos International Charter School:	Nadine Vigil	School Principal
	Justine Roybal	Business Manager
	Michelle Adeyta	Office Manager
	Marilyn Montoya	Vice President of Governing Council
Representing Loftis Group LLC:	Armando Sanchez	Principal

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The Learning Community Charter School

Date of Exit Conference:	November 19,2015	
Representing The Learning Community Charter School:	Edwin Fernandez	Consultant
Representing Loftis Group LLC:	Armando Sanchez	Principal

Tierra Adentro

Date of Exit Conference:	November 10, 2015	
Representing Tierra Adentro:	Veronica Torres	Executive Director
	Amber Pena	Business Manager
	Michael Vigil	Business Manager
	Sandy Martinez	Audit Committee Member
	Chris Pieper	Governing Council Member
Representing Loftis Group LLC:	Armando Sanchez	Principal

Uplift Community School:

Date of Exit Conference:	November 24, 2015	
Representing Uplift Community School:	Ann Doucette	Board Chair
	James Cammon	Director
	Sean D. Fry	Business Manager
Representing Pattillo Brown and Hill:	David Baca	Senior Auditor

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Walatowa High Charter School

Date of Exit Conference:	November 6, 2015	
Representing Walatowa High Charter School:	Arrow Wilkinson	Superintendent
	Katherine Toya	Business Manager
	Francine P. Garcia	Gear UP NM Coordinator
	Richard Wasilewski	Governing Council Member
Representing Loftis Group LLC:	Armando Sanchez	Principal

William W. & Josephine Dorn Charter Community School

Date of Exit Conference:	November 10, 2015	
Representing William W. & Josephine Dorn Charter Community School:	Ellen Esquibel Bellamy	Director
	Amber Pena	Business Manager
	Preston Sanchez	Board Member
Representing Loftis Group:	Armando Sanchez	Principal

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report.