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2017 Charter School Renewal Report – Part A  
***New Mexico Connections Academy***

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August 25, 2017

**School Name:** New Mexico Connections Academy  
**School Address:** 4001 Office Court, Suites 201-204, Santa Fe, New Mexico  
**CEO/Principal:** Ramoncita Garcia  
**Business Manager:** Justine Vigil  
**Authorized Grade Levels:** 4-12  
**Authorized Enrollment:** 2000  
**Mission:** The mission of New Mexico Connections Academy (NMCA) is to help each 4-12<sup>th</sup> grade student, throughout the state of New Mexico who needs an alternative to the traditional classroom for a particular time period, maximize his or her potential and meet the highest performance standards through a uniquely individualized learning program, access to high quality NM-certified teachers, and high parental involvement. The mission will also include a school-with-in-a-school model with a focus on science, technology, engineering, and math (STEM).

**SCHOOL SUMMARY**

On July 2, 2012, an application for a new charter school was submitted by New Mexico Connections Academy to the Public Education Commission. The Authorizer initially denied the application which was then appealed to the Secretary. The Secretary reversed and remanded to the Public Education Commission for approval with conditions. The School is a virtual school serving students statewide authorized for grades 4-12.

### GOVERNING BODY PERFORMANCE

NMCA failed to provide contact forms for their governing board members in FY2017. Per their website, the school currently has five governing board members. The following members are currently serving on NMCA Governing Board:

Name	Role	Service Start Date
Senator Mark Boitano	President	*
Gary Schalow	Treasurer	*
Paul Gessing	Secretary	*
Carlo Lucero	Member	*
Patrick Chavez	Member	*

*\* NMCA failed to provide governing board member contact forms. No service start dates are available.*

The PED has received documentation that four of the five the school’s governing body members have completed their required training for FY2017. According to their submitted list, there is not training documentation for Carlo Lucero. The PED does not have a record indicating either a start date or resignation notice for him. No board member training was reported for FY2016 and only four board members completed training in FY2015. The school failed to comply with mandatory training laws for FY2015 and FY2016.

### AMENDMENTS AND AMENDMENT REQUESTS

The school submitted its renewal application on [date – to be completed by PED]. The school’s renewal application includes [number of amendment request(s) – to be completed by PED]. The request(s) seek the following: [summary of request(s) – to be completed by PED]. NMCA has filed no amendments since its inception.

### SCHOOL’S MISSION AND MATERIAL TERMS

The School’s mission statement is as follows:

*The mission of New Mexico Connections Academy (NMCA) is to help each 4-12<sup>th</sup> grade student, throughout the state of New Mexico who needs an alternative to the traditional classroom for a particular time period, maximize his or her potential and meet the highest performance standards through a uniquely individualized learning program, access to high quality NM-certified teachers, and high parental involvement. The mission will also include a school-with-in-a-school model with a focus on science, technology, engineering, and math (STEM).*

The contract identifies the following educational program as a material term of the charter:

#### **Educational Program of the School.**

NMCA will be a virtual school serving students statewide.

- The primary building blocks of NMCA’s instructional approach will be individualized instruction through a personalized learning plan (PLP), high-quality teaching, and parental involvement.

- NMCA will provide a STEM Academy. The STEM Academy will consist of a variety of science, math, engineering, and mathematics lessons and activities including but not limited to field trips, guest speakers, and community service opportunities.

The contract identifies the following student, teacher, and parent focused terms as a material term of the charter:

**Student – Focused Term(s).** NMCA will offer students enrolled in the school access to hundreds of courses including Advanced Placement, foreign languages, and electives.

- NMCA will offer students enrolled in the school access to student-to-student interactions through clubs, activities, and field trips.
- NMCA will utilize a Response-to-Intervention (RTI) model in designing, selecting, and delivering curriculum and instruction offerings to students, which ensures that individual students receive the support they need.

**Teacher – Focused Term(s).** NMCA is committed to providing initial and on-going professional development to ensure that staff is optimally effective in teaching in a virtual environment and addressing New Mexico Standards and Common Core State Standards in their instructional practice. The number of professional development days will exceed the requirements in state statute.

- NMCA is committed to Professional Learning Communities (PLC's) to encourage collaboration, shared data-driven decision making, collective creativity, and supportive and shared leadership focused on student learning.

**Parent – Focused Term(s).** Parent involvement will be valued at NMCA. Parents (or designed *(sic)* adult) serve as Learning Coaches and play an active role in the learning process from providing input on the Personalized Learning Plan (PLP) and communicating regularly with teachers *(sic)*. The school will provide opportunities for ongoing training and support to help Learning Coaches carry out their important role while making optimum use of the available technology tools and professional teacher support to do so. Teachers and Learning Coaches work together to set goals for the student and to accomplish these goals during the school year.

### **ACADEMIC PERFORMANCE**

School Grading is part of state and federal statute that mandates accountability for all public schools. In 2011, New Mexico lawmakers enacted requirements that schools demonstrate progress through a grading system similar to that applied to students, A-B-C-D-F [§22-2-1, §22-2-2, and §22-2E-1 to §22-2E-4] [6.19.8.1 NMAC – N, 12-15-11]. The statute requires the governing body of a charter school rated D or F to prioritize its resources toward proven programs and methods linked to improved student achievement until the public school earns a grade of C or better for two consecutive years [§22-2E-4 (E) NMSA 1978].

In 2011, New Mexico lawmakers also enacted requirements that each charter school authorizer develop a performance framework to set forth academic performance expectations. The statute requires each charter authorizer to collect, analyze and report all data from state assessment tests in accordance with the performance framework [§22-8B-9.1 NMSA 1978].

In the New Mexico school grading system, elementary and middle school grades consist of 6 indicators and high schools consist of 8 indicators, resulting in an overall score for the final grade. Each indicator

of a school's grade is assigned points. The points for each indicator are summed to assign a grade. The maximum number of points from all components added together is 100 for each school. The total number of points received by each school determines the school's overall grade. In addition, schools may earn up to five additional or *bonus* points for reducing truancy, promoting extracurricular activities, engaging families, and using technology. The School Grading Report Card also provides school leaders with information comparing their school to schools with similar student demographic characteristics.

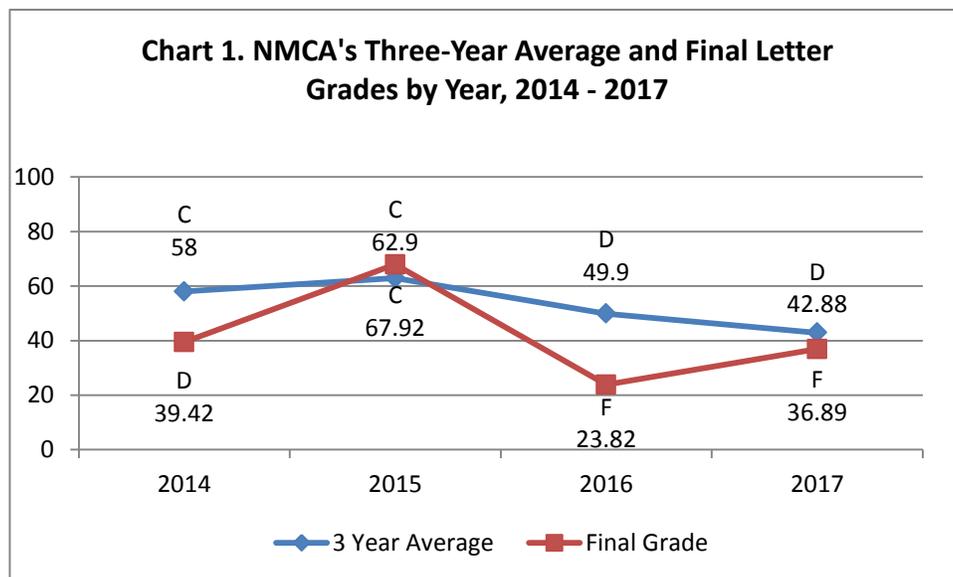
The following information provides a snapshot of the school's academic performance over the last three years. The analysis in this section will discuss the school's performance over time in each indicator in the letter grade report.

Note: NMCA's letter grades were reduced by letter grade in the last four years (2014 – 2017) because it failed to test 95% of eligible students. The analysis below breaks down performance over time in each indicator in the letter grade report.

**NMCA's 2017 School Grade.** On the 2017 School Grading Report Card, NMCA earned a total of 36.89 of the total, including 3.50 bonus points. Overall, NMCA earned an F grade, with a D or F grade on every indicator on which the school is graded: current standing, school improvement, improvement of higher-performing students, growth of lowest-performing students, and graduation. One exception was the college and career readiness indicator. Over 9% of the total points factored into NMCA's overall grade come from bonus points, not points earned on academic performance. The school earned an F grade in 2016 and 2017.

According to the 2017 School Grading Report, NMCA ranks last or the very low across the six indicators when compared to 9 similar schools in the state (see p. 6 of the 2017 School Grading Report).

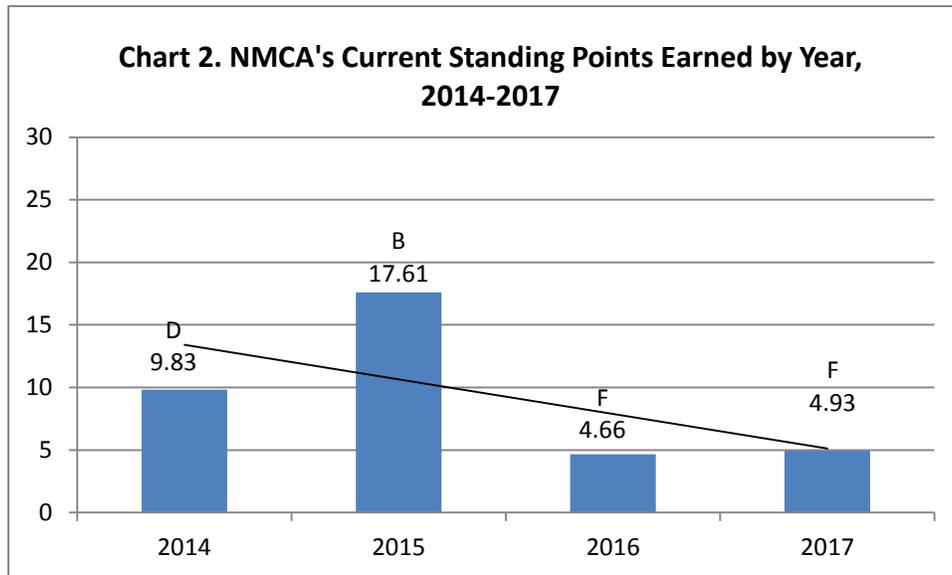
Chart 1, below, illustrates NMCA's three-year average grade and its overall school grade from 2015 through 2017. The school's final grade has gone from a C to an F over the last three years (red line) and the three-year average grade (blue line) has steadily decreased.



NMCA's academic performance, as measured by the school grading report cards, demonstrates a downward trend of low academic proficiency in reading and math (students are not performing on grade level) and a lack of growth (students at this school are not improving as expected).

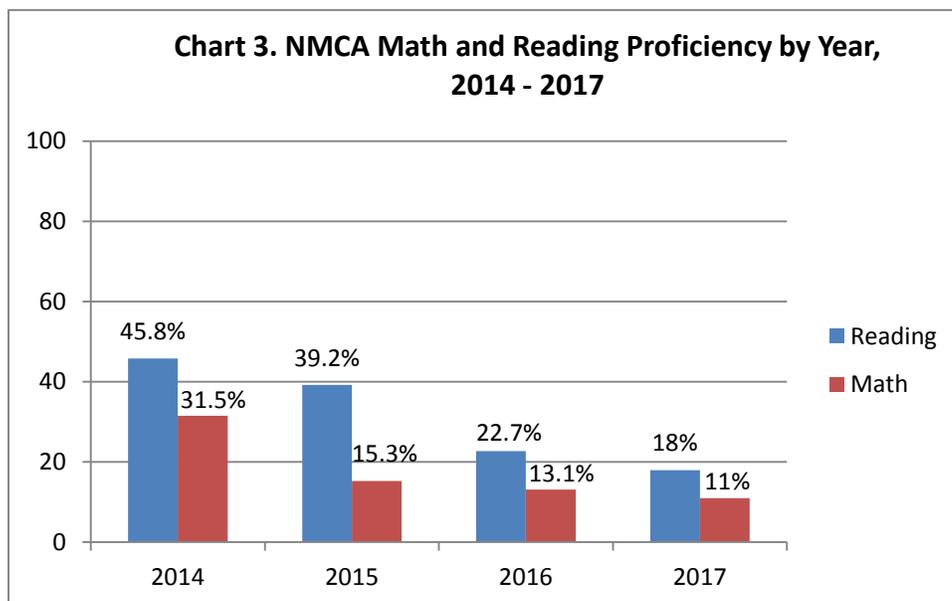
**Current Standing.** Current standing measures both grade level proficiency and student performance in comparison to expected performance based on statewide peer performance; statewide peers are identified based on prior achievement and student mobility. Over the past 3 years the weighting between these two components has changed. In 2015, the comparative performance was most highly weighted. In 2016, the two components were equally weighted. In 2017, the grade level proficiency is most highly weighted.

NMCA earned only 4.93 points out of 30 possible points in this category, far behind the statewide average (established in 2012) of 12.5 points.

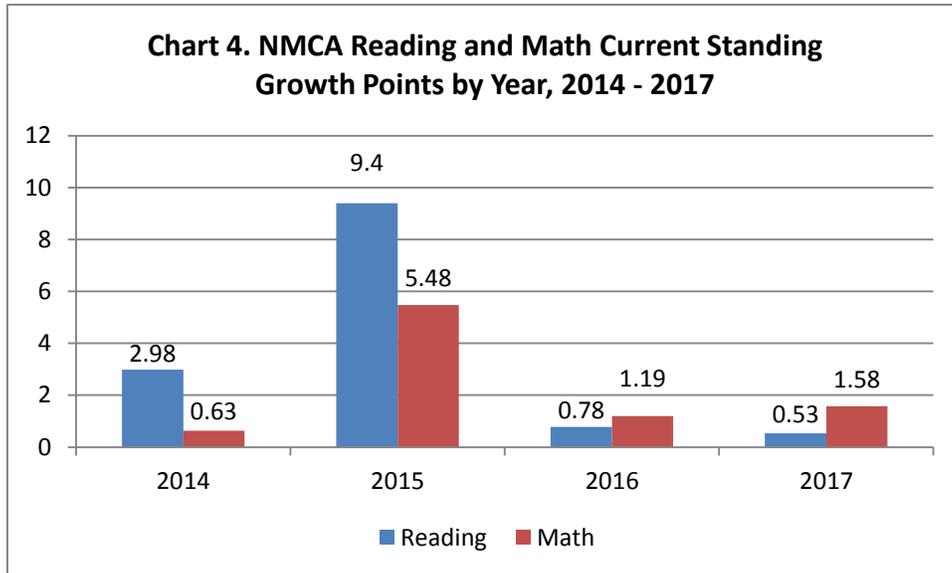


The school's low grade in Current Standing is a result of two factors, both the school's poor comparative proficiency rates to students and schools across the state in math and reading and the poor comparative growth of the school's students to their academic peers across the state.

In 2017, the state reported 28.6% of students were proficient in reading and 19.7% of students were proficient in math. Yet, the school's 2017 report card indicates that 18% of students were proficient in reading and 11% of NMCA's students were proficient in math. The school's reading proficiency rate trails the state average by over 10% and 8.7% in math. Chart 3, below, illustrates the low academic proficiency.



In addition, in 2017 the school could have earned up to 5 points for comparative growth of the school's students to their academic peers across the state in both math and in reading, for a total of 10 points in Current Standing that are based on growth measures. The school earned 0.53 points in reading and 1.58 points in math. These values are consistent with the 2016 results, when the school could have earned 7.5 points in each and earned 0.78 points in reading and 1.19 points in math. The school has not made improvement in this element of current standing so NMCA's performance falls below expectations.



**School Growth.** The school growth (Value-Added Modeling) compares overall student performance from year to year. Growth can be positive or negative. When it is positive, school performance is better than expected when compared to others schools with the same size, mobility, and prior student performance. Chart 5, below, illustrates that NMCA earned less 1.53 out of 10 possible points in the area of School Growth. This score is far below the 5.8 average points earned statewide in 2012 when School Grading was initiated.

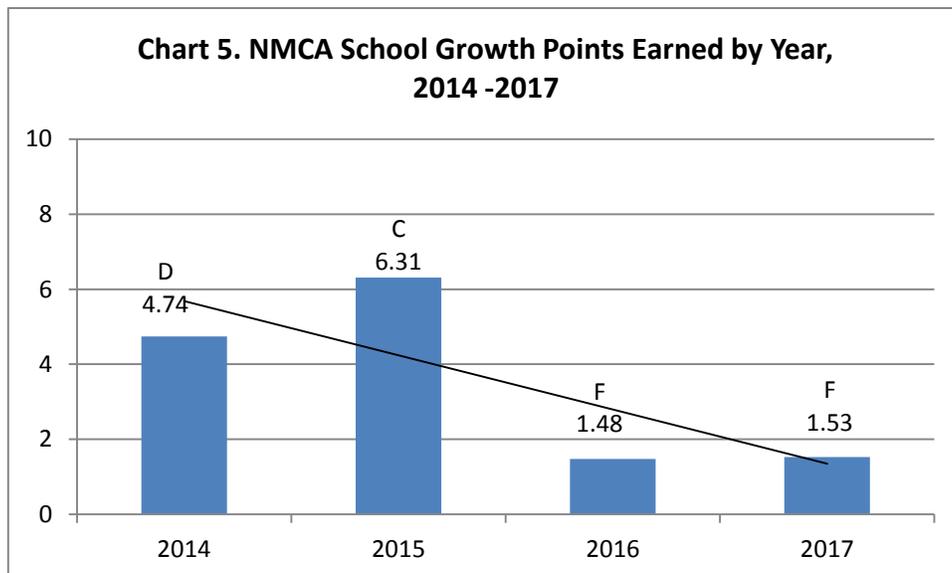


Chart 6, below, illustrates school growth terms of a growth index in reading and math for the last three school years. In these years, NMCA’s math growth was negative. Growth in reading has progressively declined in the same time frame. In 2017, NMCA earned a total of 1.53 points out of the 10 possible points for school growth (0.42 points for reading and 1.11 points for math, respectively). NMCA performed very poorly compared to other schools with the *same* size, mobility, and prior student performance. The school’s performance continues to be lower than expected.

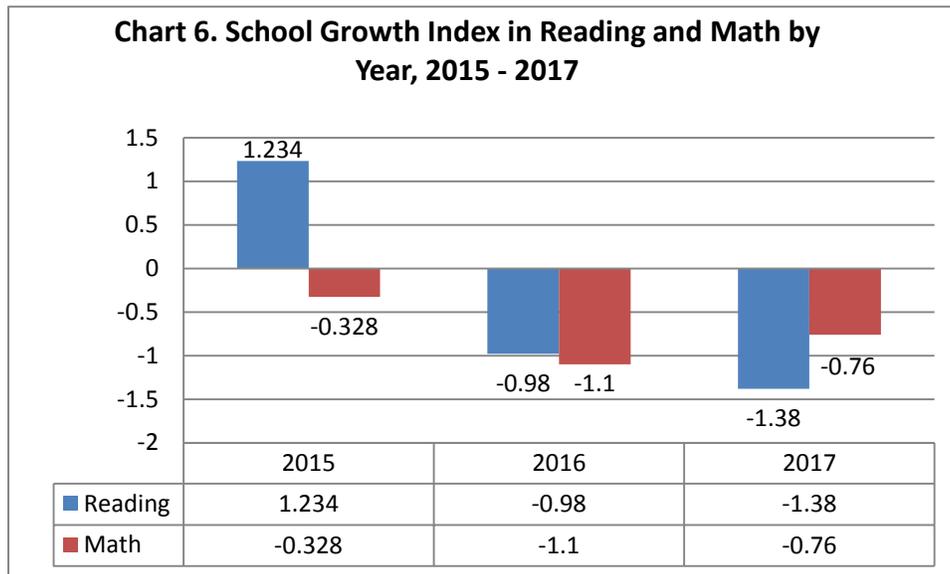
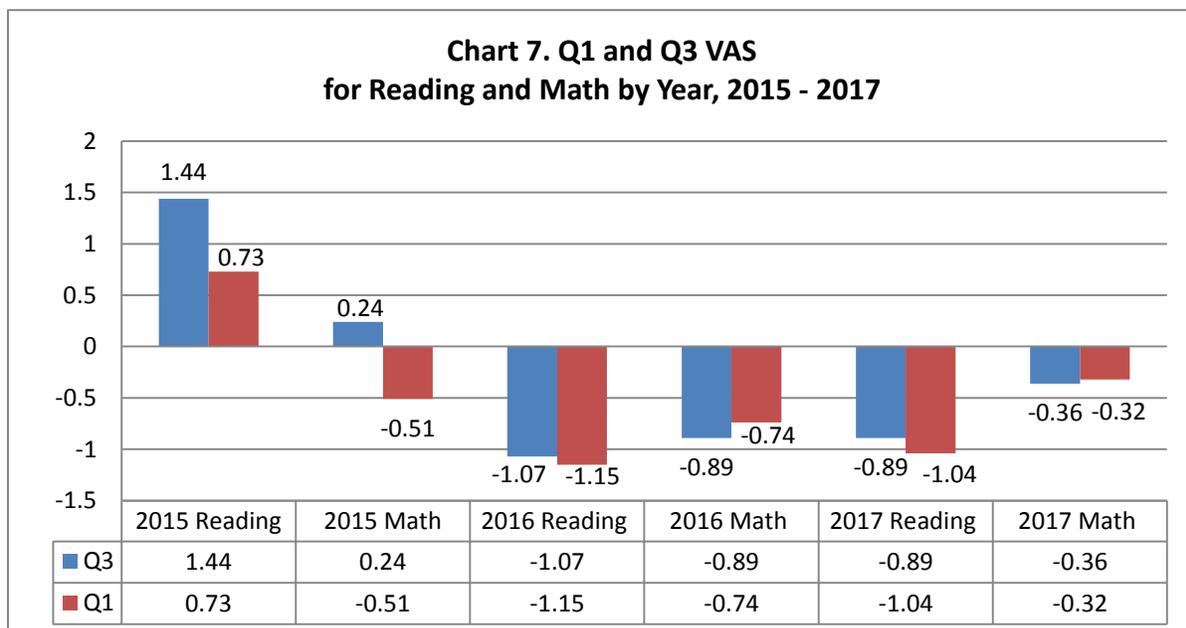
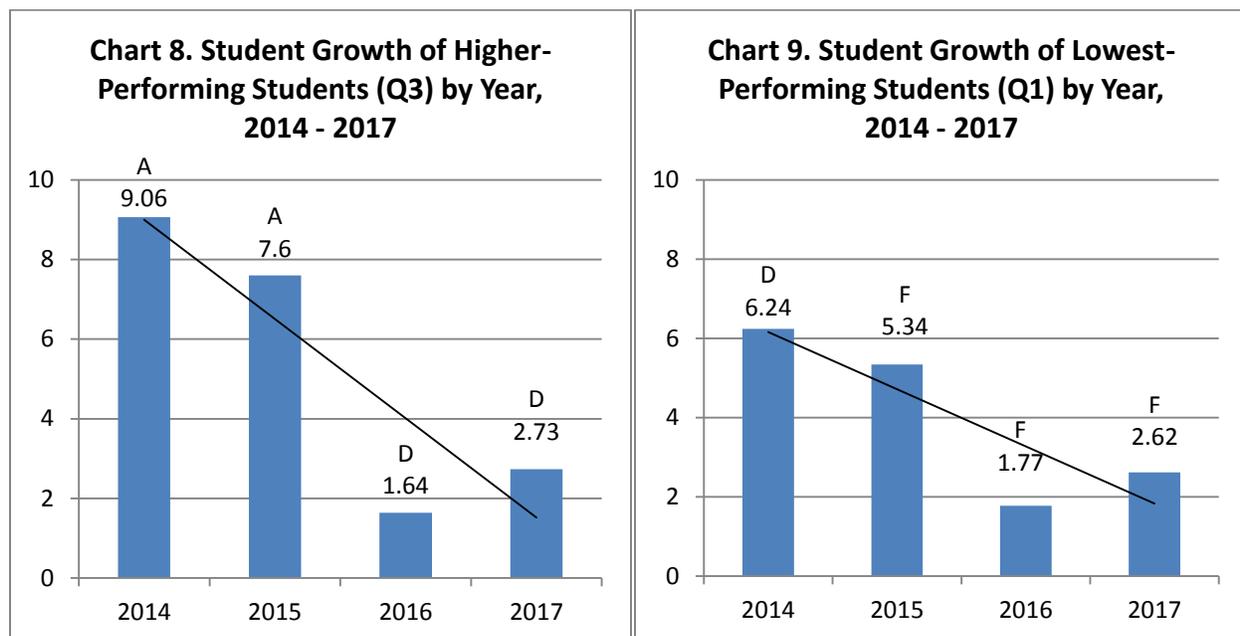


Chart 7, below, illustrates student growth for the higher-performing (Q3) students and the lowest-performing (Q1) students. The Value Added Scores shows that the school’s students performed below expectations in the last three years in math and below expectations for reading two years in a row. In 2017, both groups of students came nearer to zero, meaning that the groups were performing closer to expectations based on their academic histories. Furthermore, gaps between Q3 and Q1 for both reading and math in 2017 were minor.



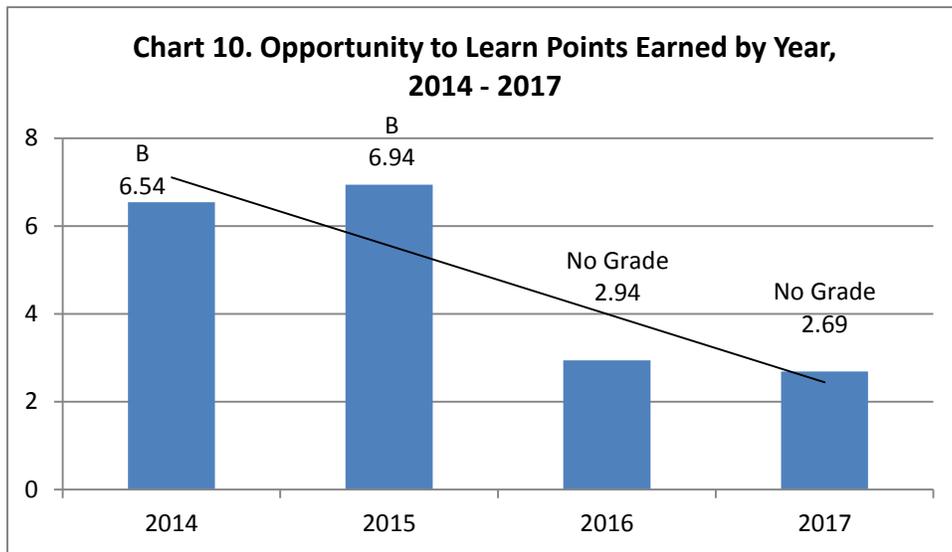
**Growth of Higher-performing (Q3) and Lowest-performing Student Groups (Q1).** In Q3 student growth, the indicator evaluates changes in comparative performance for the school’s higher-performing students (top 75%). In Q1 student growth, the indicator evaluates changes in comparative performance for the school’s lowest-performing students (lowest 25%).

In 2017, the school earned 2.73 out of 10 possible points in the Student Growth of Higher-Performing Students (Q3) category. Compared to average points earned statewide in this category, the school underperformed by 0.87 points. Over the last four years, NMCA’s performance of its higher-performing students has steadily declined, with 2017 results representing just 30% of the points it earned in 2014. See Chart 8, below. Similarly, NMCA’s performance of its lowest-performance students has also steadily declined in the last four years, with 2017 results representing 42% of the points it earned in 2014. Compared to the average points earned statewide on growth of the lowest-performing students, the school underperformed by just over 5 points. See Chart 9, below.



**Opportunity to Learn.** Opportunity to learn is a measure that evaluates the quality of the learning environment. This indicator is based on attendance and a classroom survey administered to students (or parents in grades K-2). High schools can earn 8 total points (3 for attendance, 5 for the survey). The target for attendance is 95%. Schools with average rates less than 95% are given partial credit, and schools with greater than 95% can earn more than the maximum allotted points. The parent and student surveys consist of 10 questions (scored on a scale of 0-5) about practices known to promote successful learning. The target score of 45 yields 100% of the five total points possible. Schools that average higher than 45 on the total score can earn slightly higher than five points.

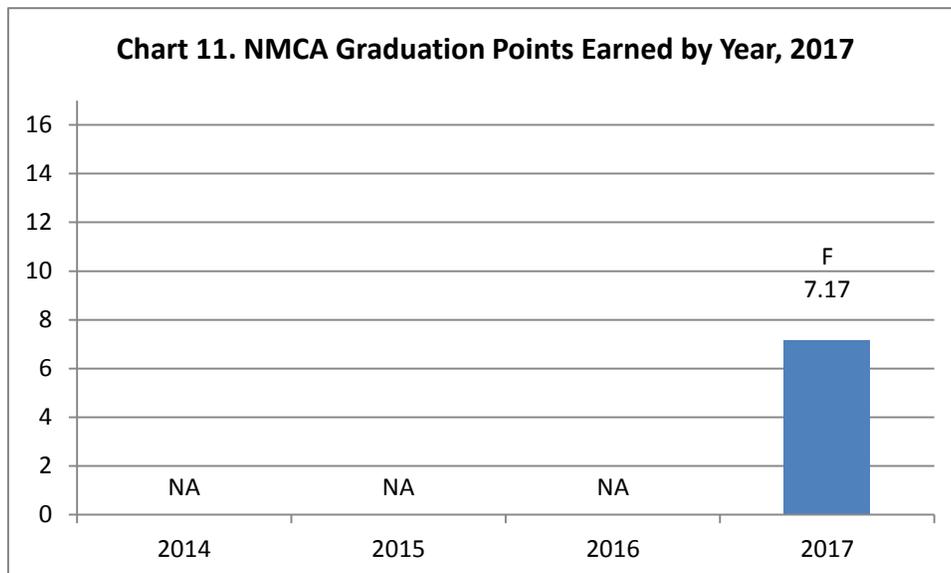
The state’s average attendance rate is 94% yet in 2017 the school’s attendance rate was only 85%, which is 9% lower than the state average. Since the school did not administer the surveys, NMCA does not generate the 5 possible points. NMCA can only generate a maximum 3 points from attendance in this indicator. Thus, NMCA earned a total of 2.69 points in the Opportunity to Learn indicator, trailing the statewide average of 6.0 points.



*\*The school was not graded for Opportunity to Learn in 2016 or 2017 because the school did not have student surveys.*

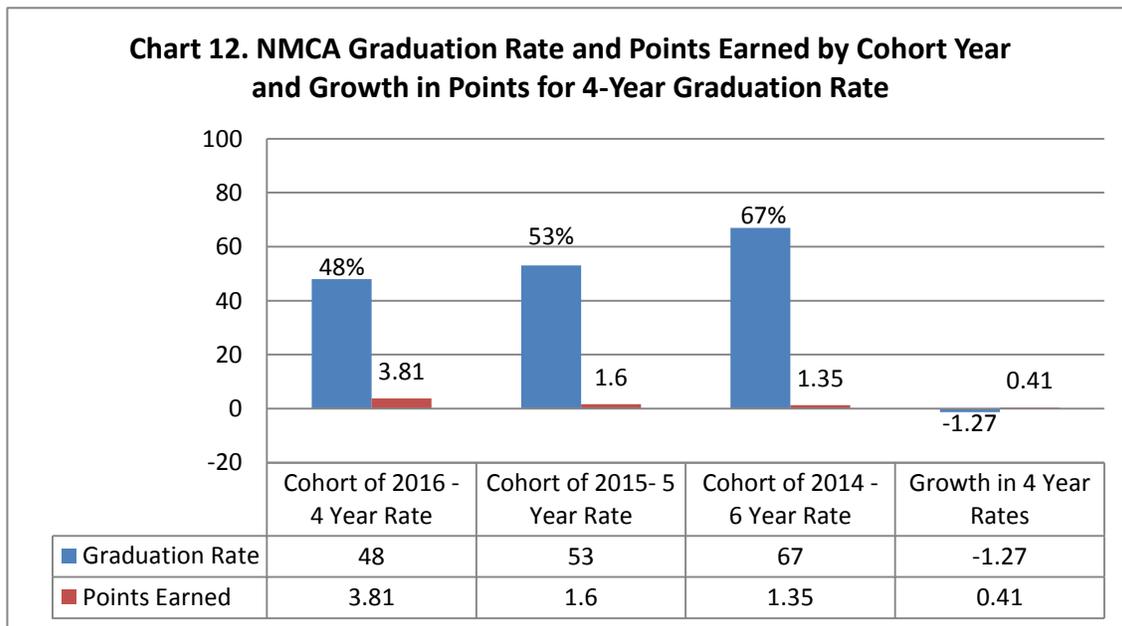
**High School Graduation Rates.** This indicator is calculated based on 4-year, 5-year, and 6-year rates and the annual increase in the 4-year graduation rate and is based on three years of data. Calculation of 4-year, 5-year, and 6-year cohort graduation rates uses the Shared Accountability method. Schools are proportionally accountable for student graduation for all students in a graduation cohort who were enrolled in their school for any amount of time. The model includes 4-year, 5-year, and 6-year rates, which produce a maximum of 8, 3, and 2 points respectively. The extended-year rates include only members of the prior 4-year cohort and do not allow new entrants in subsequent years.

Prior to 2017, cohort measures such as graduation and college and career readiness were not incorporated into NMCA's school grade. Such measures may not be incorporated for high schools until the school has operated four full years, in order to generate one cohort. For such schools, a dual calculation is employed and overall school grades are computed both with and without graduation and college and career readiness. The method that generates the higher overall score is used. Thus, for schools where using the cohort measure yields a higher overall score, they are included and reported. In the case of New Mexico Connections, it was more favorable to calculate the grade without graduation or college and career readiness measures, which is why they were not incorporated in the first three years of operation. Chart 11, below illustrates the 7.17 points NMCA earned in 2017.



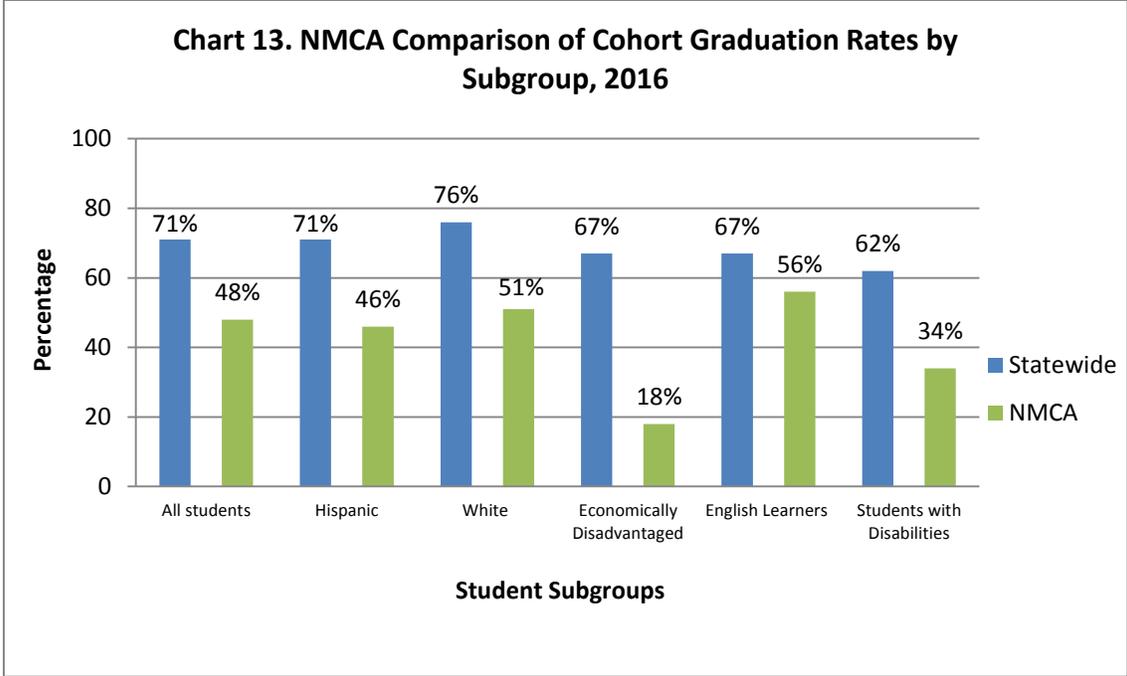
*Graduation Growth* refers to annual increase in the 4-year graduation rate and is based on three years of data. Growth in the 4-year rate reflects the school's overall ability to help students complete their high school careers in a timely way. The goal is 90% of students graduating in 4 years, so any school that has a graduation rate of 90% in 2015 is awarded all four points. Growth of the 4-year rate is worth an additional 4 points yielding a total of 17 possible points for graduation. The school's growth index is negative.

Chart 12, below, demonstrates how the school earned its points in this category. Of the 7.17 total graduation points, the school earned 3.81 out of 8 for the school's 4-year graduation rate, 1.6 points out of 3 points for its 5-year graduation rate, and 1.35 points out of 2 points for its 6-year graduation rate.



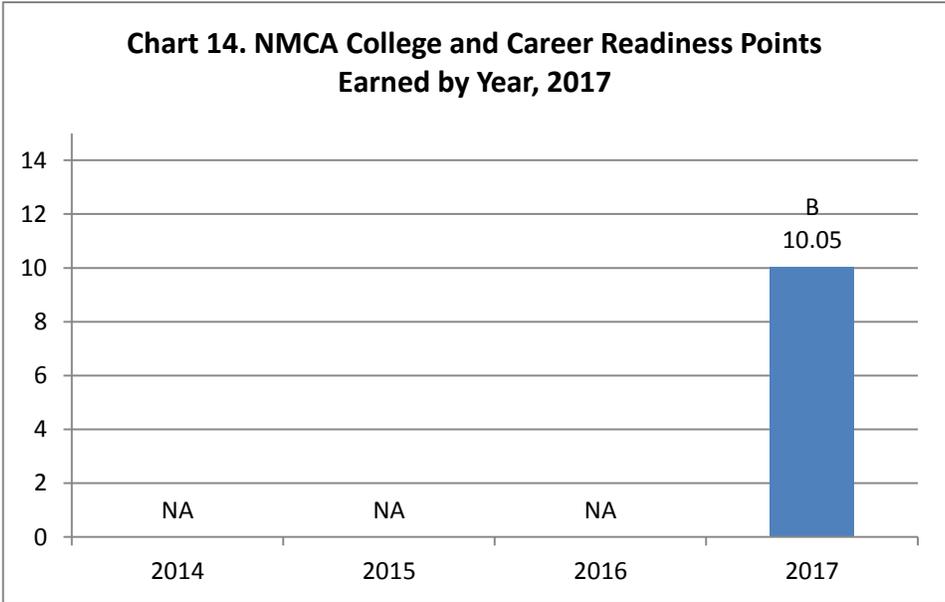
**Graduation Data by Subgroup.** The chart below compares the school's graduation rates to the local school district and to the statewide percentages. The information below is based on a 4-year cohort. A cohort is named by students' expected fourth year of high school; for example the "Class of 2016" is also the "Cohort of 2016." The Cohort of 2016 is the latest- available data, with newest graduation data is released annually in later fall.

Chart 13, below, illustrates that NMCA's graduation rates for the Cohort Of 2016 are much lower for all subgroups as compared to the statewide rates. There are several gaps in graduation rates, the lowest which is a 23% gap between the NMCA and the statewide graduation rate.

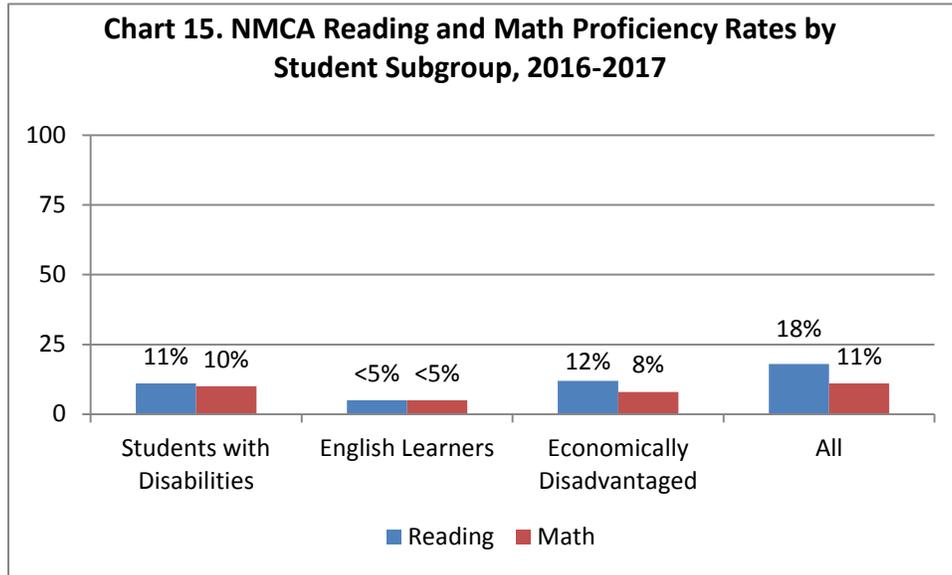


**College and Career Readiness.** This indicator evaluates the percent of cohort members (high school students' 4th year) who show evidence of college or career preparation, along with the proportion of those students meeting a benchmark. Credentials are established through course enrollment leading to an industry recognized certification or through a student's taking a recognized academic precursor to post-secondary education. College and Career Readiness is composed of *Participation* (5 points) and *Success* (10 points) yielding a total 15 points in the high school's overall grade.

NMCA earned 10.05 points out of 15 in the College and Career Readiness category of the state report card. The statewide average points earned in this category is 9.0 points, which means that NMCA earned slight over one point than the average school in this category. Chart 14, below, illustrates the total College and Career Readiness points earned 2017. This category did not apply to NMCA before 2017. In 2017, 43% of the school's students participated in the college or career readiness program. Of the 22 % of NMCA's students who participated in college and career opportunities in 2017, 79% were successful.



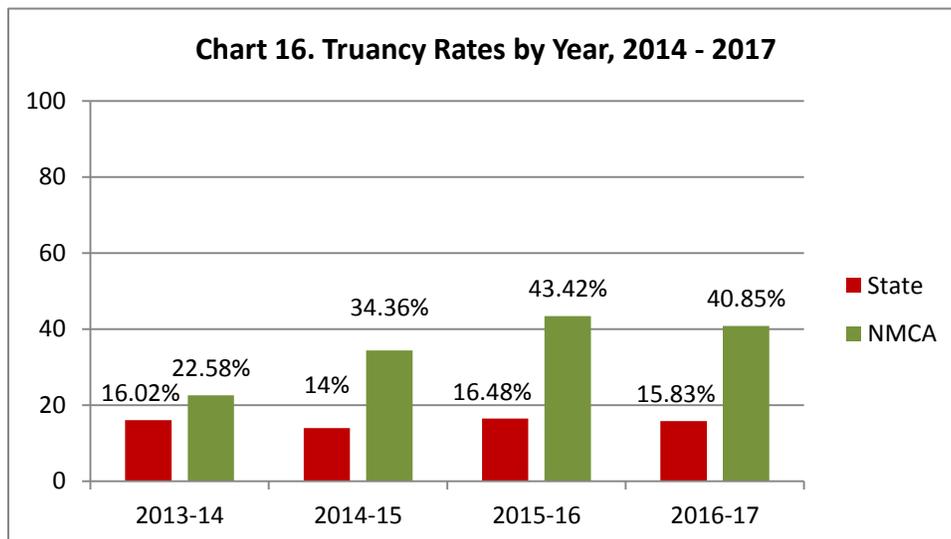
**Achievement Gaps in Proficiency and Growth between Student Subgroups.** According to proficiency data available on the 2017 School Grading Report Card, 10% of students with disabilities were proficient reading and 10% were proficient in math. Less than 5% of English Learners were proficient in reading or math. Twelve percent of economically disadvantaged students were proficient in reading and 8% in math. Overall, only 18% of the students at NMCA are proficient in reading and only 11% are proficient in math. See Chart 15, below, for an illustration of NMCA’s 2017 reading and math proficiency rates by subgroups.



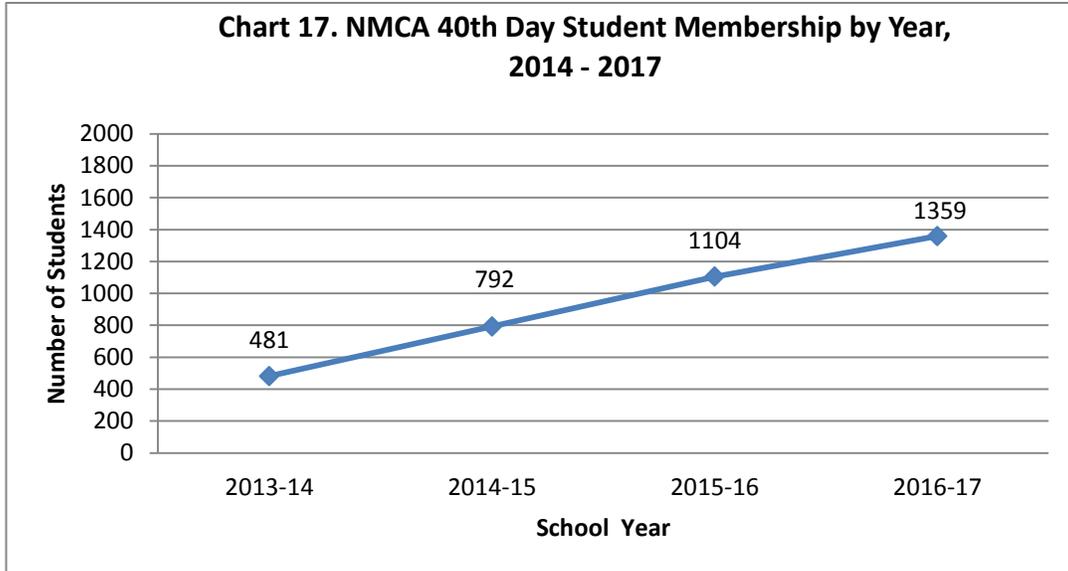
**STUDENT ATTENDANCE AND ENROLLMENT**

The following information provides a picture of the school’s attendance and truancy, current student membership (enrollment), and enrollment trends over the term of the contract.

**Habitual Truancy.** The chart below reflects the school’s habitual truancy rate compared to statewide truancy rates over the last four school years. In 2017, the school’s habitual truancy rate was substantially higher (40.85%) than the statewide truancy percentage of 15.83%. During its current contract term, the school has far exceeded the statewide truancy percentage.

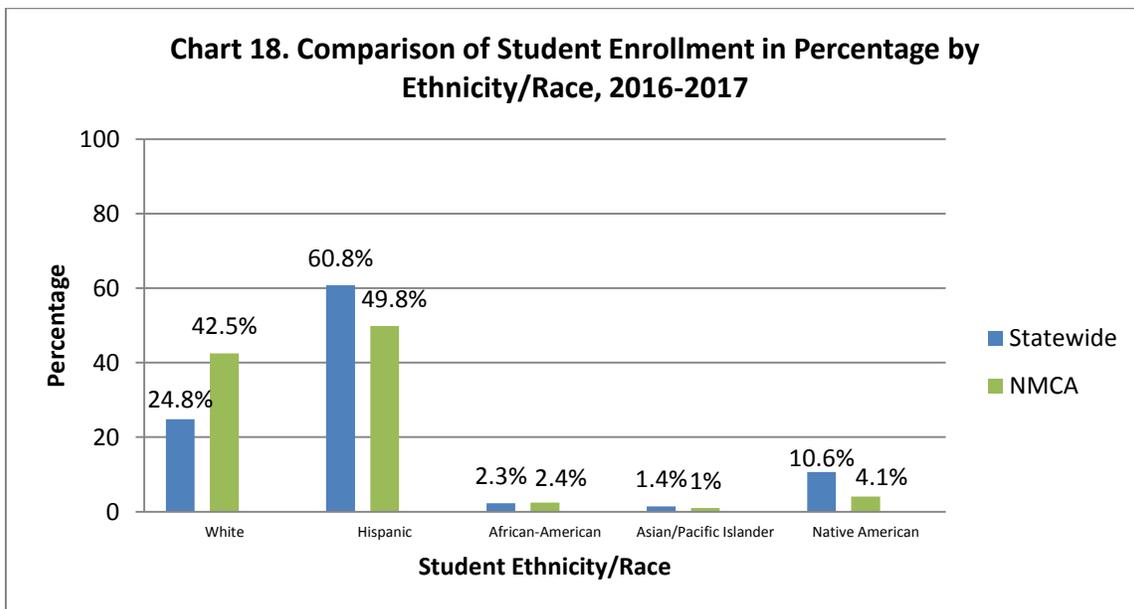


**Student Membership (Enrollment).** The table below demonstrates the 40<sup>th</sup> day membership for each of the years in operation during the school’s current contract term. NMCA has experienced a steady increase in its enrollment numbers with the largest increase in students (312) between the 2014-2015 and 2015-2016 school years. While NCMA’s enrollment has steadily increased over time, the school is operating at 68% of full capacity and well below its authorized enrollment cap of 2000 students.

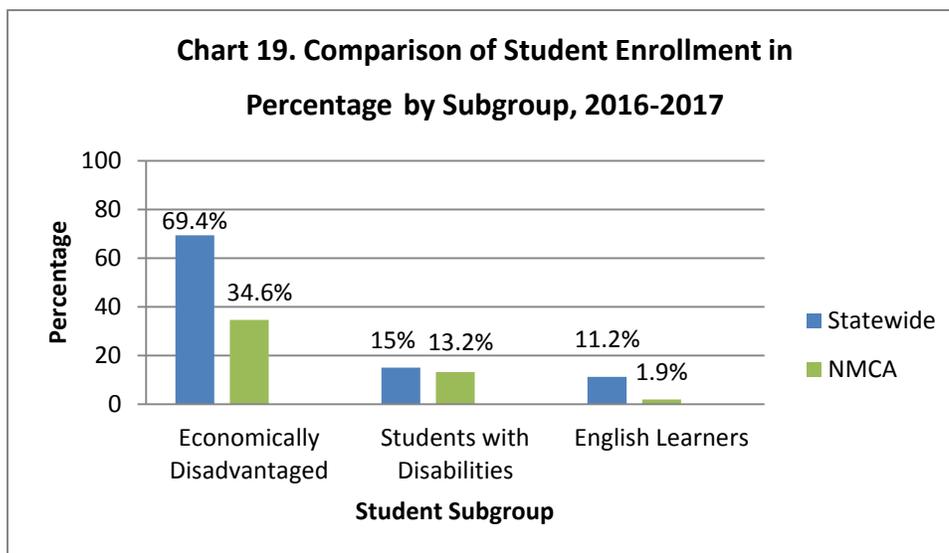


Note: Chart 17 may be updated with 2017-2018 data later this fall after the 40<sup>th</sup> day student membership data submitted through the Student Teacher Accountability Reporting System (STARS) is certified. The 40<sup>th</sup> day reporting window occurs annually from mid to late October.

**Enrollment by Race/Ethnicity.** NMCA’s student demographic data illustrates that it serves a much higher White population (42.5%) when compared to the state (24.8%) –by over 17%. Further, NMCA serves a smaller percentage of Hispanic students (49.8%) relative to the state (60.8%)—an 11% difference. These discrepancies in the subgroup enrollment at this school are significant.



**Enrollment by Subgroup.** Compared to the state average, NMCA also serves a significantly lower population of economically disadvantaged students. Furthermore, NMCA has a much smaller population of English Learners and a slightly smaller population of students with disabilities as compared to the statewide percentages.

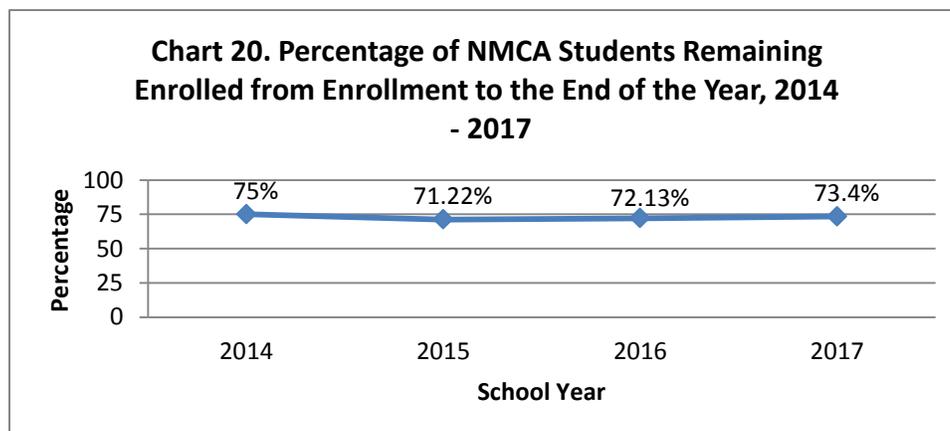


Taken together, Charts 18 and 19 illustrate the population served by NMCA significantly diverges from the state’s population. The school may consider describing how it promotes equity and access to all students through its enrollment policies and practices. It would also be helpful to understand any actions the school is taking to increase the diversity of its student body.

**Retention and Recurring Enrollment.** In its Performance Frameworks, the PEC has established student retention expectations. For this school, the PEC established a target of 85% recurrent enrollment between years.

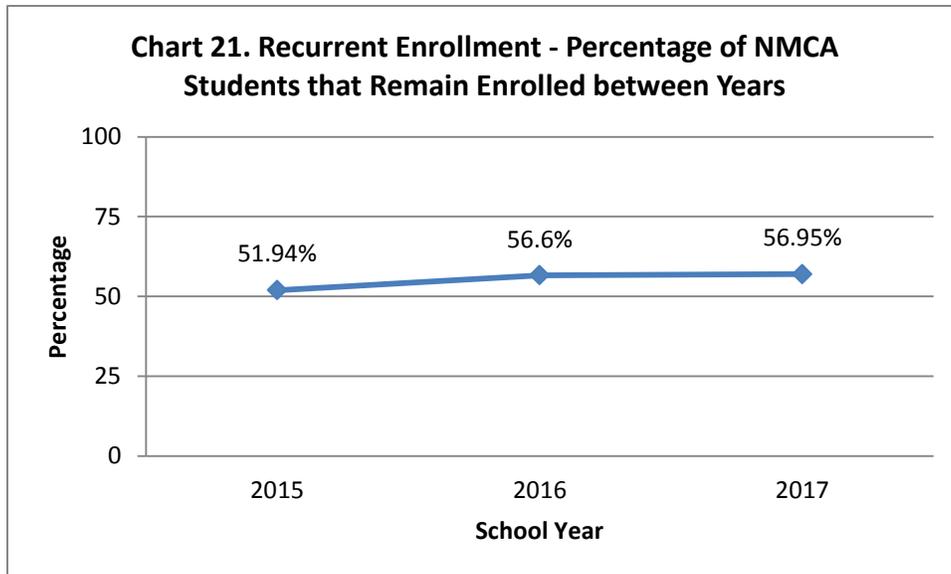
Below, the PED has calculated within-year retention rates to evaluate the percentage of students who remain enrolled in the school from the time they enroll until the end of the school year. This data is calculated by identifying all students who enroll in the school at any time during the year and then evaluating if the students remain enrolled until the end of the school year. Students whose withdrawal codes indicate circumstances beyond their control are removed from the data set.

Chart 20, below, demonstrates the percentage of NMCA students that withdraw before the end of the school year for each of the years in operation. For the 2014 school year, 25% of the students that enrolled at NMCA withdrew before the end of school year. In 2015, the percentage of students withdrawing increased almost 4% to 28.78%. In 2016, the percentage of students withdrawing before the end of the school year at NMCA was 27.87%. In 2017, 26.6% of the students withdrew. The trend line data illustrates that the school’s percentage of students withdrawing has been consistently high over the last three years.



To evaluate recurrent enrollment as required by the PEC, the PED has calculated this measure by identifying the students enrolled at the end of each year who are eligible to reenroll (not graduated), and then identifying the students who reenroll on or before the 10<sup>th</sup> day of the subsequent year. Students whose withdrawal codes indicate circumstances beyond their control are removed from the data set.

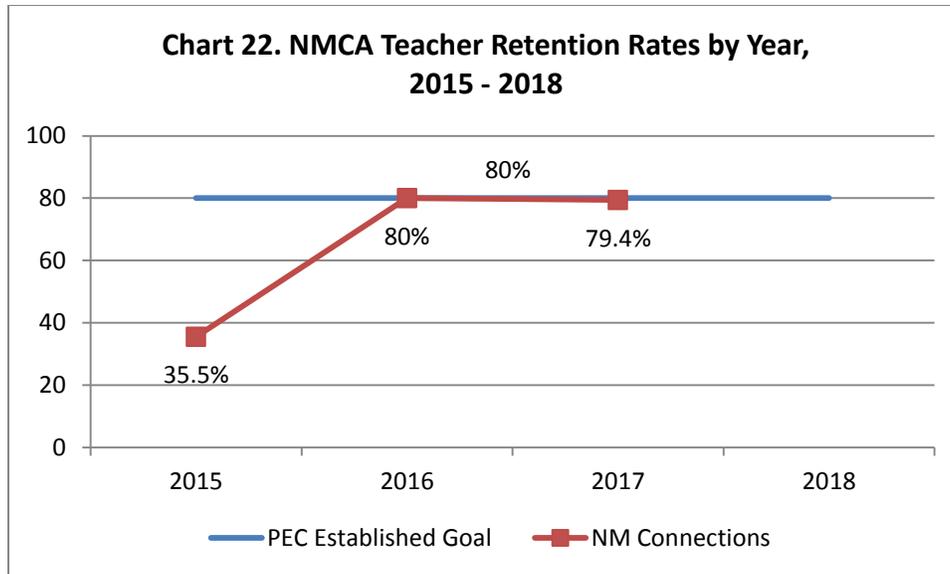
Student enrollment data for NMCA indicates that 51.94% of the students that completed the school year in 2014-2015 returned to NMCA in 2015-2016. In the last two school years, the percentage of students that completed the prior school year and return to the school is only about 57%. During the term of NMCA's contract, the school has experienced a 5% increase in the percentage of students that remained enrolled from one school year into the next (recurring enrollment between years). However, the data also indicates at least 43% of NMCA students do not return for a consecutive year on an annual basis.



Over the contract term, NMCA recurrent enrollment rates are low. Thus, NMCA has not the PEC's recurrent enrollment target of 85%.

**Teacher Retention Rate.** The PEC established a goal of 80% teacher retention (lower than 20% turnover) as stated in the performance contract. This data is calculated by comparing the license numbers for teachers from one year to the next. For example, all teacher license numbers reported for the 2015-2016 school year were compared to teacher license numbers the following year for the same reporting period. The percentage of duplicate license numbers were compared in the second year and the retention rate was calculated based on the percentage of teachers who returned the following year.

Chart 22, below, demonstrates the school's teacher retention rate over the last three school years.



The school's teacher retention rate was lower than the PEC's goal in the between 2014 and 2015 and between 2016 and 2017. However, the teacher retention rate (80%) met the PEC's goal between 2015 and 2016.

### **AUDIT PERFORMANCE**

In the **FY2016 Audit**, New Mexico Connections Academy received **three findings of non-compliance** related to background checks, travel and per diem calculation, and disbursement for unallowable costs.

- ***FY2016 – Background Check (Noncompliance):*** Through the testing procedures performed in a sample of 25 disbursements tested, the auditor noted two instances where there was not a valid background check on file. New background checks are required for employees that have been terminated and return per 6.20.2.18 NMAC. Management was not aware of a new background check requirement if employees return. The school must implement the requirement as safety measure to ensure people with serious criminal records may not be fit to have responsibility for the safety and wellbeing of children.
- ***FY2016 – Travel and Per Diem Calculation (Noncompliance):*** Out of a sample of 25 disbursements tested for travel and per diem, there was an expenditure where an employee received the daily cap for meals but did not accrue the daily max per receipt totals and the employee was overpaid for meals by \$1. The school is not compliant with 2.42.2 NMAC regarding and needs to review receipts and employee calculations to ensure it abides with the New Mexico Per Diem and Mileage Act.
- ***FY2016 – Disbursement for Unallowable Costs (Noncompliance):*** During the dual internal control and risk assessment and compliance test work over disbursements, the auditor noted that one of the 40 reimbursements include **reimbursement for alcohol** for approximately \$5.00. The school is not compliant with 13-1-25 NMSA and 1.4.1.48-52 NMAC, procurement code and regulations because it overlooked the pay receipt. Sound accounting practices dictate that the School have internal controls over assertions significant to the financial statements and compliance to related law, regulations, and contract and grant provisions. The auditor stated that greater oversight of reimbursements to exclude payments for unallowable costs per statute and regulation.

In the **FY2015 Audit**, New Mexico Connections Academy had and **one finding of non-compliance** in the current fiscal year related to personnel files. The FY2015 audit also included **one repeated significant deficiency** related to purchase order subsequent to invoice from **the FY2014 audit** and **two repeat findings from FY2014** for mileage reimbursement and dual signatures on checks,

- **FY2015 – Personnel Files (Noncompliance):** The personnel files were examined during the payroll testing and the auditor found that one of the files did not contain evidence supporting authorization for payroll deductions. The school was not compliant with state regulation, 6.20.2.18 NMAC, requiring that schools maintain and have available for inspection several documents related to employee records, including payroll deduction authorizations because it was not reviewing the personnel records for compliance.
- **FY2014 – Purchase Order Subsequent to Invoice (Significant Deficiency):** During the testing of 60 cash disbursements, the auditor noted 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. The school was compliant with 6.20.2.17(A) NMAC which requires that each school must establish and implement written policies and procedures for purchasing compliant with the state's procurement code, 13-12-1 1978 NMSA. The school personnel did not follow its established procurement policies and was not compliant with state purchasing requirements, which places the school at risk for fraud or misuse of public funds.
- **FY2014 – Mileage Reimbursements (Noncompliance):** The school reimbursed employees for mileage at rate \$0.56 per mile. The school is out of compliance with New Mexico Statutes in regard to mileage reimbursement since 2.42.2.11(B)(1) pursuant to 10-8-5(D) NMSA requires that public officers and state agency employees shall be reimbursed at the approved rate of 80% of the internal revenue service standard mileage rate. While the school contends it is a local public body, the PED has indicated to auditors that state-authorized charter schools are component unit of the PED and thus should reimburse mileage at the rate approved for a state agency. While the school's management disagreed with the finding on the grounds that the PED had changed its opinion, the auditor's rebuttal states that it had been determined that the school is a component unit of the PED and as such must follow state statute which limits mileage reimbursements to 80% of the internal revenue service standard mileage rate.
- **FY2014 – Dual Signature of Checks (Noncompliance):** In sample of 60 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. Per 6.20.2.11 NMAC, the school is required to establish and maintain internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized used. The School violated its own internal policy in regards to check signing since it had established an internal control policy that required all checks of \$2,500 or more to be signed two authorized check signers.

In the **FY2014 Audit**, the school had **six findings** related pledged collateral requirements, mileage reimbursements, dual signatures on checks, purchase order subsequent to invoice, timely deposits, and budgetary conditions.

- **FY2014 – Pledge Collateral Requirements (Noncompliance):** During test work, the School was under collateralized by \$139,914. Per 6-1-17 NMSA, schools must have pledged collateral agreement in place and the securities must have an aggregate value equal to one-half the amount of public money to be received. The school was not monitoring the cash balances to ensure it was meeting all requirements of the state auditor.

- FY2014 – Mileage Reimbursements (Noncompliance):** The school reimbursed school employees for mileage for a rate of \$0.56 per mile. Per state regulation 2.42.2.11(B)(1) NMAC pursuant to 10-8-5(D) NMSA 1978, public officers and employees of state agencies must be reimbursed for mileage at 80% of the Internal Revenue Service standard mileage rate. The school is not compliant with state statutes and regulations with respect to mileage reimbursement. While the school contends it is a local public body, the PED has indicated to auditors that state-authorized charter schools are component unit of the PED and thus should reimburse mileage at the rate approved for a state agency. While the school's management disagreed with the finding on the grounds that the PED had changed its opinion, the auditor's rebuttal states that it had been determined that the school is a component unit of the PED and as such must follow state statute which limits mileage reimbursements to 80% of the internal revenue service standard mileage rate.
- FY2014 – Dual Signatures on Checks (Noncompliance):** In a sample of 60 expenditures there were 6 instances (\$134,420.82, \$130,922.51, \$41,708.74, \$8,342.30, \$3,333.33 and \$3,333.33) in which checks were only signed by one authorized signer, and one instance (\$355.31) in which a check cleared the bank without any signature at all. Per 6.20.2.11 NMAC, the school is required to establish and maintain internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized used. The School violated its own internal policy in regards to check signing since it had established an internal control policy that required all checks of \$2,500 or more to be signed two authorized check signers.
- FY2014 – Purchase Order Subsequent to Invoice (Significant Deficiency):** During the testing of 60 cash disbursements, the auditor noted seven instances (\$41,708.74, \$35,625.00, \$11,100.00, \$962.43, \$450.75, \$140.00, and \$10.00) in which the Purchase Order was prepared subsequent to the vendor's invoice date. The school was compliant with 6.20.2.17(A) NMAC which requires that each school must establish and implement written policies and procedures for purchasing compliant with the state's procurement code, 13-12-1 1978 NMSA. 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." The school personnel did not follow its established procurement policies and was not compliant with state purchasing requirements, which places the school at risk for fraud or misuse of public funds.
- FY2014 – Timely Deposits (Noncompliance):** For all (4 of 4) miscellaneous cash receipts tested, it could not be determined if the items were deposited in a timely manner. The amounts tested were \$625.00, \$394.32, \$250.00, and \$21.14. State regulation, 6.20.2 NMAC, requires that money received and receipted must be deposited in the bank within 24 hours or one banking day. The school was not in compliance with state statute and further, has exposed itself to possible misappropriation of assets. The school must ensure it creates and implements procedures to ensure all funds are properly receipted and deposited within one banking day.
- FY2014 – Budgetary Conditions (Noncompliance):** The School has expenditure functions where actual expenditures exceeded budgetary authority for the Special Education (IDEA - B -24106) in the amount of \$8,935.00. Per 6.20.2.9(A) NMAC pursuant to 22-8-5 through 22-8-12.2 NMSA 1978, every school district must follow the PED's budget requirements and procedures regarding the preparation, submittal, maintenance and reporting of budgetary information. Budgetary control shall be at the functional level and over-expenditure of a function is not allowed. The School is out of compliance with state statutes and the control established by the use of budgets has been compromised because actual expenditures were not being adequately monitored by the school's management. As a result, the school may have deficit fund balances

and unnecessary usage of operating funds to cover over-expenditures. The school should establish a policy of quarterly budgetary review by the governing council or finance committee to ensure funds are not over-expended.

### **ORGANIZATIONAL PERFORMANCE**

Please note: the analysis of the school's organizational performance on **the FY2017** Performance Framework will be updated after final reporting from the school is submitted by September 1, 2017.

In the **FY2016** Performance Framework, the school's organizational performance was rated below meets in one area.

1. **PED rated indicator III-A.06 of the Education Plan** "Does Not Meet Standard" because school did not provide the number of students eligible to return to the school for the 2015-2016 school year and because it did not meet the recurrent student enrollment goal.

**School Specific Requirements.** The School's Performance Framework does not include any school specific requirements as conditions of renewal.