

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

VOLUME II

YEAR ENDED JUNE 30, 2018

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
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**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Passed Through to Subrecipients	Department Expenditures	Total Federal Expenditures
PUBLIC EDUCATION DEPARTMENT				
U.S. DEPARTMENT OF AGRICULTURE				
Child Nutrition:				
School Breakfast Program	10.553	\$ 43,935,928	\$ 611,972	\$ 44,547,900
National School Lunch Program	10.555	101,908,674	917,958	102,826,632
Total Child Nutrition Cluster		<u>145,844,602</u>	<u>1,529,930</u>	<u>147,374,532</u>
Fresh Fruit and Vegetable Program	10.582	1,855,130	41,387	1,896,517
National School Lunch Program - Equipment	10.579	209,096	-	209,096
TOTAL U.S. DEPARTMENT OF AGRICULTURE		147,908,828	1,571,317	149,480,145
U.S. DEPARTMENT OF EDUCATION				
Office of Elementary and Secondary Education:				
Title I Grants to Local Educational Agencies	84.010	104,327,425	905,464	105,232,889
Total Title I Grants to Local Educational Agencies		<u>104,327,425</u>	<u>905,464</u>	<u>105,232,889</u>
School Achievement Fund 1003(g)	84.377	3,195,160	175,767	3,370,927
Total School Achievement Fund 1003(g)		<u>3,195,160</u>	<u>175,767</u>	<u>3,370,927</u>
Education for Homeless Children and Youth	84.196	443,171	125,211	568,382
Total Education for Homeless Children and Youth		<u>443,171</u>	<u>125,211</u>	<u>568,382</u>
Migrant Education - State Grant Program	84.011	513,295	215,355	728,650
Title I Program for Neglected and Delinquent Children	84.013	336,737	-	336,737
MEP Consort. Incentive Grants (Migrant Consortium)	84.144	-	82,039	82,039
Twenty-first Century Community Learning Centers	84.287	7,783,633	451,800	8,235,433
Rural Education	84.358	979,257	59,634	1,038,891
Title III English Language Acquisition Grants	84.365	4,111,267	202,282	4,313,549
Mathematics and Science Partnerships	84.366	-	1,128,681	1,128,681
Title II Improving Teacher Quality State Grants	84.367	16,957,382	684,314	17,641,696
Grants for State Assessments and Related Activities	84.369	-	4,927,546	4,927,546
Total Office of Elementary and Secondary Education		<u>138,647,327</u>	<u>8,958,093</u>	<u>147,605,420</u>
Office of Special Education and Rehabilitative Services:				
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	76,647,123	11,139,974	87,787,097
Special Education - Preschool Grants	84.173	1,685,873	656,005	2,341,878
Total Special Education Cluster (IDEA)		<u>78,332,996</u>	<u>11,795,979</u>	<u>90,128,975</u>
Office of Elementary and Secondary Education:				
Charter Schools	84.282	-	12,973	12,973
Striving Readers	84.371	-	1,613	1,613
Title IV - Student Support	84.424	1,098,303	35,385	1,133,688
ASSETS - Achieving Student Success with Effective Tiered Supports	84.323	-	669,981	669,981
Office of Innovation and Improvement:				
Race to the Top	84.412	-	3,602,598	3,602,598
Total Office of Innovation and Improvement		<u>-</u>	<u>3,602,598</u>	<u>3,602,598</u>
Office of Vocation and Adult Education				
Carl Perkins - Voc. Educ. - Basic Grants to States/ Adult Educ. - State Grant Program	84.048	6,916,074	1,030,309	7,946,383
TOTAL U.S. DEPARTMENT OF EDUCATION		224,994,700	26,106,931	251,101,631
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Centers for Disease Control and Prevention:				
Centers for Disease Control and Prev. - Investigations and Technical Assistance	92.283	-	390,599	390,599
Teen Pregnancy Prevention	93.500	-	89,414	89,414
Temporary Assistance For Needy Families (TANF Cluster)	93.558	3,500,000	-	3,500,000
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		3,500,000	480,013	3,980,013
TOTAL EXPENDITURES - PUBLIC EDUCATION DEPARTMENT		<u>\$ 376,403,528</u>	<u>\$ 28,158,261</u>	<u>\$ 404,561,789</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Passed Through to Subrecipients	Department Expenditures	Total Federal Expenditures
DEPARTMENT OF VOCATIONAL REHABILITATION				
U.S. DEPARTMENT OF EDUCATION				
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	\$ -	\$ -	\$ 22,792,157
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	-	-	89,865
TOTAL U.S. DEPARTMENT OF EDUCATION		-	-	22,882,022
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Independent Living State Grants	93.369	-	-	300,589
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		-	-	300,589
SOCIAL SECURITY ADMINISTRATION				
Disability Insurance/SSI Cluster	96.001	-	-	13,192,087
TOTAL SOCIAL SECURITY ADMINISTRATION		-	-	13,192,087
TOTAL EXPENDITURES - DEPARTMENT OF VOCATION REHABILITATION		-	-	36,374,698
TOTAL FEDERAL EXPENDITURES (PED AND DVR)		<u>\$ 376,403,528</u>	<u>\$ 28,158,261</u>	<u>\$ 440,936,487</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the State of New Mexico Public Education Department (PED) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in the Schedule is presented in accordance with the requirements Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 INDIRECT COST RATE

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the PED's federal award programs have been charged with indirect costs, based upon a rate established by the State of New Mexico, and the PED has elected not to use the 10% de minimis indirect costs rate allowed under the Uniform Guidance applied to overall expenditures. The PED's indirect cost rate for the year was 21.3% for the Department and 30.1% for the Division.

NOTE 3 NONCASH ASSISTANCE

The Department did not receive any federal noncash assistance during the year ended June 30, 2018.

NOTE 4 LOANS

The Department does not have any loans outstanding with the Federal government at June 30, 2018.



**REPORT OF INDEPENDENT AUDITORS 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**

Christopher Ruskowski, Secretary of Education
New Mexico Public Education Department
and Mr. Wayne Johnson
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison schedules for the general fund and major special revenue funds of the New Mexico Public Education Department (Department), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements, and have issued our report thereon dated November 21, 2018. We have also audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and each major special revenue fund of each discretely presented component unit, presented as supplementary information, as defined by the Governmental Accounting Standards Board (GASB) as of and for the year ended June 30, 2018. Our report disclaims opinions on certain financial statements because of the matters described in the "Bases for Disclaimer of Opinions" paragraph in our report starting on page 2.

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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Christopher Ruskowski, Secretary of Education
 New Mexico Public Education Department
 and Mr. Wayne Johnson
 New Mexico State Auditor

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.

Aldo Leopold High School	2018-003
Alma d'Arte Charter High School	2018-001, 2018-002, 2018-003, 2018-004
ASK Academy and Foundation	2018-001
La Academia Dolores Huerta	2018-004
Las Montanas Charter School	2018-005
McCurdy Charter School	2018-002, 2018-003
Monte Del Sol Charter School	2018-005, 2018-006
New Mexico School for the Arts	2018-001
Roots and Wings Community School	2018-006
School of Dreams Academy and Foundation	2018-005, 2018-007, 2018-008
Tierra Adentro	2018-001

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 accompanying schedule of findings and questioned costs, to be significant deficiencies.

Public Education Department	2018-001
Anthony Charter School	2018-004
Carinos De Los Ninos Charter School	2018-004
Coral Foundation for Excellence in Education	2018-001
Dream Dine Charter School	2018-001, 2018-005
Estancia Valley Classical Academy Foundation	2018-001
Explore Academy	2018-002
GREAT Academy	2018-001
J. Paul Taylor Academy	2018-002
La Tierra Montessori School	2018-001
McCurdy Charter School	2018-001, 2018-004, 2018-005
Monte Del Sol Charter School	2018-001, 2018-002
New Mexico School for the Arts	2018-002
Red River Valley Charter School	2018-004
Roots and Wings Community School	2018-001, 2018-002
School of Dreams Academy and Foundation	2018-001, 2018-009
Walatowa High Charter School	2018-001, 2018-002

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..

Christopher Ruskowski, Secretary of Education
 New Mexico Public Education Department
 and Mr. Wayne Johnson
 New Mexico State Auditor

Public Education Department	2018-007
Department of Vocational Rehabilitation	2018-008, 2018-009
Academy of Trades and Technology	2018-001, 2018-002
ACE Leadership High School	2018-001
Albuquerque School of Excellence	2018-001, 2018-002, 2018-003
Aldo Leopold High School	2018-001, 2018-002, 2018-004
Amy Biehl Charter High School	2018-001
Anthony Charter School	2018-001, 2018-002, 2018-003, 2018-005, 2018-006
ASK Academy	2018-002
Carinos De Los Ninos Charter School	2018-001, 2018-002, 2018-003, 2018-005, 2018-006
Cesar Chavez Community School	2018-001, 2018-002
Coral Community Charter School	2018-001
Cottonwood Classical Preparatory School	2018-001, 2018-002, 2018-003, 2018-004
Dream Dine Charter School	2018-002, 2018-003, 2018-004
Dzil Ditl'ooi School of Empowerment	2018-001, 2018-002, 2018-003, 2018-004
Estancia Valley Classical Academy	2018-001, 2018-002, 2018-003, 2018-004
Explore Academy	2018-001
Gilbert L. Sena Charter High School	2018-001
GREAT Academy Foundation	2018-001
Health Leadership High School	2018-001
Horizon Academy West	2018-001, 2018-002
J. Paul Taylor Academy	2018-001
La Academia Dolores Huerta	2018-001, 2018-002, 2018-003, 2018-005
La Promesa Early Learning Center	2018-001, 2018-002
La Tierra Montessori School	2018-002
Las Montanas Charter School	2018-001, 2018-002, 2018-003, 2018-004
Media Arts Collaborative Charter School (MACCS)	2018-001, 2018-002, 2018-003
Monte Del Sol Charter School	2018-003, 2018-004, 2018-007
Montessori Elementary School	2018-001
New America School	2018-001
New America School of Las Cruces	2018-001
New Mexico School for the Arts	2018-003
North Valley Academy	2018-001
Red River Valley Charter School	2018-001, 2018-002, 2018-003
Roots and Wings Community School	2018-003, 2018-004, 2018-005
Sandoval Academy of Bilingual Education	2018-001, 2018-002
School of Dreams Academy and Foundation	2018-002, 2018-003, 2018-004, 2018-006
Six Directions Indigenous School	2018-001, 2018-002
South Valley Preparatory School	2018-001
Southwest Aeronautics, Mathematics and Science	2018-001
Southwest Preparatory Learning Center	2018-001, 2018-002, 2018-003, 2018-004
Southwest Secondary Learning Center	2018-001
Student Athlete Headquarters Academy	2018-001, 2018-002
Taos Academy Foundation	2018-001
Taos Integrated School of the Arts	2018-001
Tierra Adentro	2018-002, 2018-003
Tierra Encantada Charter School	2018-001, 2018-002
Turquoise Trail Charter School	2018-001, 2018-002, 2018-003
Turquoise Trail Charter School Foundation	2018-001
Walatowa High Charter School	2018-003, 2018-004, 2018-005

Christopher Ruskowski, Secretary of Education
New Mexico Public Education Department
and Mr. Wayne Johnson
New Mexico State Auditor

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 response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 21, 2018



**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Christopher Ruszkowski, Secretary of Education
New Mexico Public Education Department
and Mr. Wayne Johnson
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the New Mexico Public Education Department's (Department) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2018. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

Opinion on Each Major Federal Program

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 major federal programs for the year ended June 30, 2018.

Christopher Ruskowski, Secretary of Education
New Mexico Public Education Department
and Mr. Wayne Johnson
New Mexico State Auditor

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-003, 2018-004, and 2018-006. Our opinion on each major federal program is not modified with respect to these matters.

The Department's response to the noncompliance 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.

Report on Internal Control Over Compliance

Management of the Department's 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 the Uniform Guidance, 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.

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 a 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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-002, 2018-004, 2018-005, and 2018-006, that we consider to be significant deficiencies.

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.

Christopher Ruskowski, Secretary of Education
New Mexico Public Education Department
and Mr. Wayne Johnson
New Mexico State Auditor

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 21, 2018

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

- | | | |
|--|---|-------------------------------|
| 1. Type of auditors’ report issued: | Unmodified, modified, and disclaimer on five aggregate discretely-presented component units | |
| 2. Internal control over financial reporting: | | |
| • Material weakness(es) identified? | <u> X </u> yes | <u> </u> no |
| • Significant deficiency(ies) identified? | <u> X </u> yes | <u> </u> none reported |
| 3. Noncompliance material to financial statements noted? | <u> </u> yes | <u> X </u> no |

Federal Awards

- | | | |
|---|----------------------|-------------------------------|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> X </u> yes | <u> </u> none reported |
| 2. Type of auditors’ report issued on compliance for major federal programs: | Unmodified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | <u> X </u> yes | <u> </u> no |

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
84.010	Title I
84.377	School Achievement Fund 1003 (g)
84.027/84.173	IDEA B Cluster
93.558	Temporary Assistance for Needy Families (TANF Cluster)

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

 yes X no

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings

The State of New Mexico Public Education Department is made up of two distinct appropriated entities – the Public Education Department and the Department of Vocational Rehabilitation – and 56 state authorized charter schools.

PUBLIC EDUCATION DEPARTMENT FINDINGS

2018-001 Historical Balance Sheet Reconciliations (Significant Deficiency)

Condition: The Department’s balance sheet contained numerous historical payable/receivable accounts that represented invalid historical balances that required numerous adjustments to properly reflect the balances of the Department as of June 30, 2018. In addition, the Department’s trial balance reflected numerous historical balances in the capital project funds that represented balances that were no longer available for expenditure and should have been reverted or returned to the Board of Finance. Reclassification of balance sheet accounts amounted to approximately \$6 million between 6 funds.

Criteria or Specific Requirement: FIN 16.9 “Responsibility for Accounting Function – Chief Financial Officer Delegation Requirements” and NMAC 2.20.5.8 (C) (10) states that all reporting of financial information must be timely, complete and accurate.

Context: The Department was aware of these historical balance sheet accounts that required reconciliation and adjustment, however, because they represented historical balances that required research to correct, the Department has lacked adequate resources and historical information to properly reconcile the accounts and make the necessary adjustments.

Effect: Misstatement of the Department’s financial statements.

Cause: The primary cause is related inadequate controls and processes over time that has resulted in an accumulation of unreconciled and invalid balance sheet accounts, which at this point have required and will continue to require Department resources to reconcile all remaining accounts and establish processes to avoid future occurrences.

Auditor’s Recommendation: We recommend the Department continue to research any remaining balances and make the necessary adjustments. In addition, we recommend the Department ensure that adequate controls and processes are in place to prevent future occurrences.

View of Responsible Official: Management concurs with the finding. Outstanding balance sheet items had been recorded on the Department’s financial statements since the inception of SHARE. The Department implemented policies and procedures to perform a monthly proof of cash of current activity since 2014. During the monthly proof of cash process, the Department reviewed current balances for accuracy. The monthly proof of cash is reviewed and approved by the Department’s Chief Financial Officer. Historical balances had remained unadjusted as there was research required and limited documentation. After performing monthly reconciliations, management concurs that the historical balances needed to be adjusted in order to accurately report the Departments financial statements.

During the year and at the end of the fiscal year, the Audit and Accounting Bureau will perform an overall review of balance sheet items to ensure the balances are accurately stated for the current year.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs

PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS

2018-002 Preparation of the Schedule of Expenditures of Federal Awards (SEFA) (Significant Deficiency)

Federal Agency: U.S. Department of Health and Humans Services

Federal Program Title: Temporary Assistance for Needy Families (TANF) – Pre-Kindergarten Program

CFDA Number: 93.558

Pass-Through Agency: New Mexico Human Services Department

Pass-Through Number(s): 18-630-9000-0004

Award Period: 7/1/2017 – 6/30/2018

Criteria or Specific Requirement: Per §200.510 Financial Statements, the auditee must prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule must provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

Condition: During our program and SEFA testing, it was identified the Department's original SEFA was lacking the inclusion of this federal program, which amounted to \$3,500,000 of federal expenditures. It has been added to the final SEFA included in the financial statements and was tested this year.

Questioned Costs: None

Context: We reviewed underlying agreement with the NM Human Services Department to aid in determining this program should be included on the Department's SEFA.

Cause: Lack of identification of all federal programs on the original SEFA provided to us for audit testwork.

Effect: The SEFA provided to us for testwork was materially misstated but has since been updated.

Repeat Finding: No

Auditor's Recommendation: We recommend that the Department ensure processes surrounding the preparation of the SEFA allow for the completeness and accuracy of the information presented.

Views of Responsible Officials: Management concurs with this finding. The Department accounts for federal expenditures within four separate special revenue funds. The TANF award was accounted for in the PreK fund. The Audit & Accounting Bureau will review the SEFA to ensure all federal awards are reported in the Departments SEFA.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

PUBLIC EDUCATION DEPARTMENT FEDERAL FINDINGS (CONTINUED)

2018-003 Special Provisions – IDEA Program (Other Noncompliance)

Federal Agency: U.S. Department of Education

Federal Program Title: IDEA Cluster

CFDA Number: 84.027 and 84.173

Award Period: 7/1/2017-9/30/2018

Criteria or Specific Requirement: Per 20 U.S. Code § 7221e (a), for purposes of the allocation to schools by the States or their agencies of funds under part A of subchapter I, and any other Federal funds which the Secretary allocates to States on a formula basis, the Secretary and each State educational agency shall take such measures as are necessary to ensure that every charter school receives the Federal funding for which the charter school is eligible not later than 5 months after the charter school first opens, notwithstanding the fact that the identity and characteristics of the students enrolling in that charter school are not fully and completely determined until that charter school actually opens.

Condition: PED did not allocate the funds in the amount of \$105,028 to 1 out of 1 eligible LEAs within 5 months after the school first opened or significantly expanded its enrollment by November 1. The Program sent the allocation to Fiscal Grants Management Bureau in February 2018, but the allocations weren't approved until May 2018.

Questioned Costs: None

Context: We tested the entire population of LEA that were opened/significantly expanded its enrollment by November 1st under this grant award.

Cause: Lack of effective internal controls associated with the special provisions process.

Effect: Noncompliance with applicable regulations and policies.

Repeat Finding: No

Auditor's Recommendation: The Program and Fiscal Grants Management Bureau should work together to monitor the process to reasonably ensure compliance with regulations and policies.

Views of Responsible Officials: NMPED verifies and validates final 40 day adjusted enrollment figures by mid-December each year. Once these figures are certified, the Special Education Bureau Director will notify the Fiscal Grants Management Bureau Chief, via email, of eligible, new charter schools or those with significantly expanded enrollment and provide a preliminary allocation. The Fiscal Grants Management Bureau will then prepare a mail merge document of the preliminary allocation and submit this to the Special Education Bureau for award letter preparation. These preliminary awards for new charter schools or those with significantly expanded enrollment will be dated and signed by the Deputy Secretary of Finance and Operations by January 1st.

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

DEPARTMENT OF VOCATIONAL REHABILITATION FEDERAL FINDINGS

2018-004 Earmarking (Previously #2017-001) (Significant Deficiency) (Repeated and Modified)

Federal Agency: U.S. Department of Education

Federal Program Title: State Vocational Rehabilitation Services

CFDA Number: 84.126

Award Period: 10/1/16-09/30/17

Criteria or Specific Requirement: As required under this grant agreement, DVR is required to reserve and expend at least 15% of their VR allotment under Section 110(a) of the Act for the provision of pre-employment transition services to students with disabilities who are eligible, or potentially eligible, for VR services.

Condition: During single audit testwork over the Department of Vocational Rehabilitation (DVR) related to earmarking, activity under the grant tested did not meet the earmarking requirement by approximately \$1,000,000. Management of DVR brought this to our attention as we were performing our testwork over this compliance requirement.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Questioned Costs: None

Context: We tested the entire population of activity under this grant award.

Cause: While management is actively tracking this activity, DVR was unable to meet this requirement for the fiscal year under audit.

Effect: Noncompliance with this federal requirement for this program year.

Repeat Finding: The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2017-001.

Auditor's Recommendation: We recommend DVR continue to monitor this activity to ensure the earmarking requirement is met.

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

DEPARTMENT OF VOCATIONAL REHABILITATION FEDERAL FINDINGS (CONTINUED)

**2018-004 Earmarking (Previously #2017-001) (Significant Deficiency) (Repeated and Modified)
(Continued)**

Views of Responsible Officials: DVR agrees with the finding that for federal fiscal year (FFY) 17 the Division did not reserve the required 15% pre-employment transition Services (PRE-ETS) set aside required by WIOA. DVR fully implemented the PRE-ETS requirement across the state in state fiscal year (SFY) 18. The following progress has been made:

- In SFY18, DVR entered into an Intergovernmental Agreement (IGA) with the Central Regional Education Cooperative (CREC) to provide the 5-core required PRE-ETS courses to all NM students with a disability in order for the Division to meet the requirement in FFY18.
- In SFY18, DVR entered into a second IGA with the CREC to provide PRE-ETS to students with disabilities who are incarcerated in state juvenile facilities.
- As of October 2018, DVR is in the process of hiring approximately 15 employees to work 100% on PRE-ETS services.
- DVR is currently in the process of expanding its group setting presence in southern New Mexico.

As indicated above, DVR is expected to meet this requirement in FY19 based on the progress.

2018-005 Eligibility (Previously Part of #2014-007) (Significant Deficiency) (Repeated and Modified)

Federal Agency: U.S. Department of Education

Federal Program Title: State Vocational Rehabilitation Services

CFDA Number: 84.126

Award Period: 10/1/16-09/30/17

Criteria or Specific Requirement: According to the DVR Manual of Operating Procedure 12.2.1, "...Hardcopies of AWARE data pages requiring signature and related worksheets - IPE, IPE Worksheet (if completed by participant), Trail Work Experience Plan, Extended Evaluation Plan, Eligibility Statement, and Eligibility Determination Extension...".

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

DEPARTMENT OF VOCATIONAL REHABILITATION FEDERAL FINDINGS (CONTINUED)

2018-005 Eligibility (Previously Part of #2014-007) (Significant Deficiency) (Repeated and Modified) (Continued)

Condition: During our review of the Eligibility Determination worksheet, we noted 1 out of 40 sampled was not signed by the counselor.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Questioned Costs: None

Context: We performed sample testwork over eligibility files to test for compliance with federal requirements and with DVR's internal controls.

Cause: Lack of adherence to DVR's internal controls.

Effect: Program staff of DVR did not adhere to its internal control requirements; however, this was not an instance of federal noncompliance.

Repeat Finding: The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2014-007.

Auditor's Recommendation: We recommend DVR continue to work with program staff to ensure all aspects of internal controls are adhered to related to documentation maintained with eligibility files.

Views of Responsible Officials: NMDVR agrees with the finding that 1 out of 40 sampled individual's eligibility determination was not signed within the required 60-day timeframe. The Division implemented the following internal controls in previous fiscal years to address this issue. These controls include:

- Field Operations Specialists (FOSs) started weekly audit reviews of participant files to ensure fiscal compliance along with Eligibility and IPE determination compliance. This was implemented May 2016.
- NMDVR's Aware team implemented system alerts for eligibility determinations so that FODs will be notified a week in advance of any eligibility that may go into overtime so that immediate action can be taken. VRCs and PMs receive alerts earlier in the 60-day timeframe as well; this was implemented July 2016. Timelines for overtime alerts were adjusted in FY2017 to allow more time for PMs to take appropriate action to prevent overtimes from occurring.
- During FY17, phase one and two of the Rehabilitation Services Unit (RSU) restructuring was implemented to provide more oversight and management of caseloads.

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

DEPARTMENT OF VOCATIONAL REHABILITATION FEDERAL FINDINGS (CONTINUED)

2018-005 Eligibility (Previously Part of #2014-007) (Significant Deficiency) (Repeated and Modified) (Continued)

Views of Responsible Officials (Continued):

- During FY18, portions of phase three and four of the Rehabilitation Services Unit (RSU) restructuring was implemented. As of October 2017, the division added a fifth FOD position, providing much more direct oversight of operational areas and PMs. Prior to this FODs were overseeing three to four areas each, this has now been reduced to two primary areas each. The Division restructured the Albuquerque Metro area operations to equally distribute the caseload oversight by PMs.
- Phase three and four restructuring of RSU is still in process; RSU is looking to add a tenth PM position to serve the Farmington or Gallup office. RSU is also creating an eleventh PM position in the Las Cruces area. Both of these additions will lower the caseload number each PM manages, increasing oversight capabilities. As of November 2017, the restructuring of caseloads has been completed and the two new operational areas have been created.
- During FY2016, RSU implemented a 5-7 workday turnaround approval for eligibility and IPE for all PMs. RSU also implemented a tracking log to ensure compliance and oversight by FODs.
- In FY17, eligibility and IPE timeline requirement and deadlines were added to all VRC employee evaluations. The division has also begun to use progressive discipline in response to any overtimes in these two categories.
- In FY18, the PM's began conducting oversight activity due meetings on a monthly basis.

NMDVR will continue with the above outlined control measures implementation as they are showing significant improvement in overall compliance. NMDVR will continue to monitor progress and make adjustments as necessary, as further oversight is implemented at both the FOD- and PM-level. The timeline for this Corrective Action Plan is ongoing, with specific target dates outlined above.

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

DEPARTMENT OF VOCATIONAL REHABILITATION FEDERAL FINDINGS (CONTINUED)

2018-006 Special Provisions (Previously Part of #2014-007) (Significant Deficiency)

Federal Agency: U.S. Department of Education

Federal Program Title: State Vocational Rehabilitation Services

CFDA Number: 84.126

Award Period: 10/1/16-09/30/17

Criteria or Specific Requirement: According to Part IV of the federal compliance supplement for this program, when an Individualized Plan for Employment (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 (29 USC 722(b)(3)(F)).

Condition: During our testwork over the special provisions related to this federal program, we identified that 1 out of 40 sampled did not have an extension in place within 90 days.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Questioned Costs: None

Context: We performed sample testwork over special provisions to test for compliance with federal requirements and with DVR's internal controls.

Cause: Lack of timely completion of an IPE.

Effect: Noncompliance with this federal requirement.

Repeat Finding: The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2014-007.

Auditor's Recommendation: We recommend the program staff ensure they are documenting extensions, as required.

Views of Responsible Officials: NMDVR agrees with the finding that 1 out of 40 sampled Individualized Plan for Employment (IPE) was not put into place within the required 90-day timeframe nor was an extension requested. The Division implemented the following internal controls in previous fiscal years to address this issue. These controls include:

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

DEPARTMENT OF VOCATIONAL REHABILITATION FEDERAL FINDINGS (CONTINUED)

2018-006 Special Provisions (Previously Part of #2014-007) (Significant Deficiency) (Continued)

Views of Responsible Officials (Continued):

- Field Operations Specialists (FOSs) started weekly audit reviews of participant files to ensure fiscal compliance along with Eligibility and IPE determination compliance. This was implemented May 2016.
- NMDVR's Aware team implemented system alerts for eligibility determinations so that FODs will be notified a week in advance of any eligibility that may go into overtime so that immediate action can be taken. VRCs and PMs receive alerts earlier in the 60-day timeframe as well; this was implemented July 2016. Timelines for overtime alerts were adjusted in FY2017 to allow more time for PMs to take appropriate action to prevent overtimes from occurring.
- During FY17, phase one and two of the Rehabilitation Services Unit (RSU) restructuring was implemented to provide more oversight and management of caseloads.
- During FY18, portions of phase three and four of the Rehabilitation Services Unit (RSU) restructuring was implemented. As of October 2017, the division added a fifth FOD position, providing much more direct oversight of operational areas and PMs. Prior to this FODs were overseeing three to four areas each, this has now been reduced to two primary areas each. The Division restructured the Albuquerque Metro area operations to equally distribute the caseload oversight by PMs.
- Phase three and four restructuring of RSU is still in process; RSU is looking to add a tenth PM position to serve the Farmington or Gallup office. RSU is also creating an eleventh PM position in the Las Cruces area. Both of these additions will lower the caseload number each PM manages, increasing oversight capabilities. As of November 2017, the restructuring of caseloads has been completed and the two new operational areas have been created.
- During FY2016, RSU implemented a 5-7 workday turnaround approval for eligibility and IPE for all PMs. RSU also implemented a tracking log to ensure compliance and oversight by FODs.
- In FY17, eligibility and IPE timeline requirement and deadlines were added to all VRC employee evaluations. The division has also begun to use progressive discipline in response to any overtimes in these two categories.
- In FY18, the PMs began conducting oversight activity due meetings on a monthly basis.

NMDVR will continue with the above outlined control measures implementation as they are showing significant improvement in overall compliance. NMDVR will continue to monitor progress and make adjustments as necessary, as further oversight is implemented at both the FOD- and PM-level. The timeline for this Corrective Action Plan is ongoing, with specific target dates outlined above.

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Section IV – Other Matters

PUBLIC EDUCATION DEPARTMENT FINDINGS (OTHER MATTERS)

**2018-007 Improve Other IT General Controls (Previously #2013-003) (Other Noncompliance)
(Repeated and Modified)**

Condition: During our testwork over the Department's controls over information technology, we noted the following:

1. The Department performs change and patch management procedures to maintain its systems. At the end of the fiscal period, there was no written policy defining these procedures.
2. The Department uses external third parties for software development and other services. At the end of the fiscal period, there was no written policy defining these procedures.
3. The Department performs critical services for the agency, including support for critical systems and data. At the end of the fiscal period, the Department had not performed disaster recovery testing to ensure recovery of the critical services and data.
4. The Department performs user access administration activities for the agency and requires that certain personnel have Active Director domain administrative privileges. However, the domain administrators do not have separate user accounts to perform non-administrative tasks.
5. The Department performs user access administration activities for the agency, including addition, change, and removal of access to electronic systems and data. The department does not maintain all access request documentation for these activities.
6. The Department performs network administrative activities supporting critical systems and data for the agency. These activities include alerting and responding to suspicious network activity and performance issues.
7. The Department houses some critical network equipment in the basement of the PED building. The NM PED server room is secured by a door lock, for which there are four (4) keys. There is also a keypad at the door as a second physical security control, but it is not used because the software to change and maintain the keycodes is outdated and unavailable.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria or Specific Requirement: ISACA's Control Objectives for Information and related Technology (COBIT) 5.0 framework (DSS05 Manage Security Services) outlines the following:

1. The need to maintain the level of information security acceptable to the organization in accordance with the security policy. This policy includes establishing and maintaining change management policies and procedures.
2. The need to maintain the level of information security acceptable to the organization in accordance with the security policy. This policy includes establishing and vendor management policies and procedures.
3. The need to maintain the level of information security acceptable to the organization in accordance with the security policy. This policy includes performing disaster recovery testing of critical systems.
4. The need to maintain the level of information security acceptable to the organization in accordance with the security policy. This policy includes establishing and maintaining separate accounts for administrative and non-administrative tasks.

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Section IV – Other Matters (Continued)

PUBLIC EDUCATION DEPARTMENT FINDINGS (OTHER MATTERS) (CONTINUED)

**2018-007 Improve Other IT General Controls (Previously #2013-003) (Other Noncompliance)
(Repeated and Modified) (Continued)**

Criteria or Specific Requirement (Continued):

5. The need to maintain the level of information security acceptable to the organization in accordance with the security policy. This policy includes establishing and maintaining user access change requests and related information to facilitate access administration activities.
6. The need to maintain the level of information security acceptable to the organization in accordance with the security policy. This policy includes establishing and maintaining system activity audit logging, monitoring, and review procedures to identify performance issues and potential suspicious activity.
7. The need to maintain the level of information security acceptable to the organization in accordance with the security policy. This policy includes establishing and maintaining physical security for critical network equipment and data.

Context: We performed sample testwork, physical observations, and inquiries with information technology (IT) staff in conjunction with the IT portion of our audit.

Effect: The Department is exposed to loss of revenue, reputation damage, disclosure of non-public data, and loss of technology assets as a result of the following:

1. Unsecured software and hardware systems exposing sensitive information to unauthorized access and modification.
2. Inadequate due diligence, monitoring, and review of critical third-party providers and vendor activity and performance.
3. Inability to recover critical systems and data within a reasonable timeframe to continue performance of these activities for the agency, stakeholders, and the state.
4. Performance of unauthorized activities or data loss due to the use of higher than necessary domain credentials for non-administrative tasks.
5. Erroneous user access to critical systems or Inability to confirm user access changes are performed in a timely fashion.
6. Inability to:
 - a. identify suspicious network activity, including unauthorized user access, credential changes, and attempts to alter network account settings.
 - b. review past logs in case of an attempted or successful network intrusion for forensic purposes and identification of potential culprits.
 - c. identify potential activity that could degrade overall network performance.
7. Unauthorized access to critical network equipment and data stored in the NM PED server room due to the lack of sufficient physical security controls and access monitoring.

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Section IV – Other Matters (Continued)

PUBLIC EDUCATION DEPARTMENT FINDINGS (OTHER MATTERS) (CONTINUED)

**2018-007 Improve Other IT General Controls (Previously #2013-003) (Other Noncompliance)
(Repeated and Modified) (Continued)**

Cause:

1. The Department does not have a written change management policy.
2. The Department does not have a written vendor management policy.
3. The Department does not perform disaster recovery testing of critical systems and data.
4. The Department does not have separate administrator and non-administrator accounts for domain administrators.
5. The Department does not maintain all access request documentation for user access administration activities.
6. The Department does not perform Active Directory audit or security logging, monitoring, or review on a regular basis.
7. The server room is only secured by a door lock. There is a keypad on the door, but it is not used because the software to change and maintain the keycodes is outdated and unavailable. An operational keypad would allow for a second physical access control to the server room as well as the ability to track who accessed the server room at any time.

Auditor's Recommendation:

1. The Department should develop a change management policy documenting change management procedures for all critical systems.
2. The Department should develop a vendor management policy documenting procedures for selecting, monitoring, and review of external providers for all critical systems.
3. The Department should perform annual testing of critical systems and data recovery to ensure continuation of services in case of a disaster. Testing should include scenario testing with critical department and agency representatives to ensure they know their roles during a disaster.
4. The Department should create separate non-administrative or user accounts for domain administrators for the performance of non-administrative duties.
5. The Department should identify and maintain a central repository for all user access documentation for all critical systems for which it provides administration.
6. The Department should identify and implement appropriate Active Directory security and audit log settings to capture suspicious network activity and unauthorized access attempts. It should also establish a formal log review and archival process to ensure logs are reviewed for potential suspicious activity and that they are stored read-only for sufficient time to allow for a thorough forensic review when suspicious activity is identified.
7. The Department should install an operational keypad or other electronic access monitoring device to secure the server room and to provide for access logging and review.

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Section IV – Other Matters (Continued)

PUBLIC EDUCATION DEPARTMENT FINDINGS (OTHER MATTERS) (CONTINUED)

**2018-007 Improve Other IT General Controls (Previously #2013-003) (Other Noncompliance)
(Repeated and Modified) (Continued)**

Management's Response:

1. The Department concurs with this finding. We intend to develop and implement change and patch management policies and procedures that encompass all critical systems. Our goal is to have a finalized change and patch management policy by end of February, 2019. Additionally, we will build a project plan to ensure that the policies are reviewed and updated annually.
2. The Department concurs with this finding. We are currently working with OGC to define a template for vendor management, which requires program office staff or IT staff to complete access forms for vendors to gain access to any and all systems. This form will provide information regarding FERPA related issues, access to critical systems, as well provide timeliness for approved vendor access.
3. The Department partially concurs with this finding. We have an existing disaster recovery plan. We agree that we need to review and update this plan as well as conduct realistic tests to ensure our capabilities. We will build a project plan around disaster recovery testing and planning to maintain the relevance of our procedures.
4. The Department concurs with this finding. We intend to inventory all domain admin users over both networks and ensure that users have both non-admin and admin accounts. Policies will be developed requiring appropriate separation of use of domain admin accounts. This will be completed before January, 2019.
5. The Department concurs with this finding. Our goal is to develop a digital form whereby we can inventory all employees and their current access to critical systems. Additionally, we plan to work with HR and other bureaus to develop standard operating procedures such that we can keep this system up to date.
6. The department partially concurs with this finding. IT leadership will work with the network/systems manager to review the current Active Directory Security and Audit logs to ensure that all appropriate information is captured and stored. Additionally, will set expectations around reviewing these logs.
7. The Department concurs with this finding. We will work with the General Services Division (GSD) to replace the keypad as well as post policies for access to the server room, such that we will digitally log all access to the room. Finally, we will ensure that all employees who currently have access to the server room are aware of expectations of closing and locking doors.

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Section IV – Other Matters (Continued)

DEPARTMENT OF VOCATIONAL REHABILITATION FINDINGS (OTHER MATTERS)

2018-008 Budget Noncompliance (Other Noncompliance)

Condition: During our testwork over the budget for the Division of Vocational Rehabilitation (DVR), management of DVR brought to our attention there was a budget noncompliance related to DVR's operating fund program.

Criteria or Specific Requirement: The legal level of budgetary control is the appropriation program level and actual expenditures are not to exceed budgeted expenditures at this legal level of budgetary control.

Context: Management of DVR brought to our attention there was a budget noncompliance related to the rehabilitation services program under DVR's operating fund.

Effect: Budgetary noncompliance in the "other" category whereby actual expenditures exceeded budgeted expenditures by \$637,712.

Cause: DVR did not submit a budget adjustment request by the required deadline to reclassify budgeted expenditures to the appropriate category.

Auditor's Recommendation: We recommend management of DVR continue to monitor their program expenditures to allow for a timely budget adjustment.

Management's Response: NMDVR agrees with the finding that the division exceeded budgeted expenditures in the "other" category.

In order to ensure the Division does not exceed budgeted expenditures in FY19 NMDVR has aligned the budget in our case management system (AWARE) to agree to SHARE in order to ensure our Care and Support expenditures do not exceed budgeted expenditures.

In addition, as of August 2018 NMDVR entered into an Order of Selection process to reduce Care and Support expenditures as the Division does not have enough funds to serve all applicants who are deemed eligible for our services. NMDVR must serve people with the most significant disabilities first. Placing individuals in priority categories provides a fair way to serve all applicants in the correct order.

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Section IV – Other Matters (Continued)

DEPARTMENT OF VOCATIONAL REHABILITATION FINDINGS (OTHER MATTERS) (CONTINUED)

**2018-009 Improper Disposal of Capital Assets (Previously #2016-009) (Other Noncompliance)
(Repeated and Modified)**

Condition: During our testwork over capital asset disposals, we noted that 5 out of 33 assets disposed by the Division of Vocational Rehabilitation (DVR) during the year were not included on the notifications submitted to the NM Office of the State Auditor.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria or Specific Requirement: In accordance with NMAC 2.2.2.10 U, at least 30 days prior to any disposition of property included on the DVR's inventory list, notification of the disposal shall be sent to the NM State Auditor.

Context: This was identified during our review of letters submitted to the State Auditor for all capital asset disposals of DVR.

Effect: Noncompliance with NMAC.

Cause: Lack of inclusion of all assets on the letters that were submitted.

Auditor's Recommendation: We recommend DVR continue to send required notification and review the full list of disposals to ensure all items are captured when submitted to the State Auditor.

Management's Response: NMDVR agrees with the finding that the division failed to notify the Office of the State Auditor (OSA) at least 30 days prior to the disposition of 5 assets disposed.

The staff involved in the inventory and disposition of assets have again received these policies and have again been reminded that a 30-Day Notice must be provided to OSA prior to the disposition of any asset. Also, NMDVR has since hired a purchasing agent that will be responsible for overseeing the disposal process. This employee is working diligently to ensure any items that are disposed of are included on the disposition listing sent to OSA at least 30 days prior to the disposition. The General Services Manager or CFO will review and approve the disposition of assets paperwork prior to its actual disposal to ensure the OSA has been properly notified.

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DISCRETELY PRESENTED COMPONENT UNIT FINDINGS

ACADEMY OF TRADES AND TECHNOLOGY

2018-001 Inaccurate Meal Claim Submissions (Other Noncompliance)

Condition/Context: During our review of monthly USDA claim requests, we noted four instances in which the student breakfast/lunch counts differed from what was submitted for reimbursement.

Criteria: Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations.

Cause: Lack of effective internal controls surrounding food service activities and reimbursement claims.

Effect: Inaccurate claims submitted to the USDA.

Auditor's Recommendation: N/A – School has closed.

Management's Response: N/A – School has closed.

Implementation: N/A – School has closed.

Person Responsible: N/A – School has closed.

2018-002 Controls over Employment Authorization (Other Noncompliance)

Condition/Context: During our review of employee files, we noted 1 of 8 files reviewed did not have a properly completed I-9, nor was the said I-9 certified by the employer.

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 district 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 1-9 for citizenship certification), federal and state withholding allowance certification, pay deductions authorizations, pay or position change notices, Education Retirement Act plan application, and direct deposit.

Cause: Management oversight.

Effect: Noncompliance with state statute.

Auditor's Recommendation: N/A – School has closed.

Management's Response: N/A – School has closed.

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ACADEMY OF TRADES AND TECHNOLOGY (CONTINUED)

2018-002 Controls over Employment Authorization (Other Noncompliance) (Continued)

Implementation: N/A – School has closed.

Person Responsible: N/A – School has closed.

ACE LEADERSHIP HIGH SCHOOL

2018-001 Purchasing (Other Noncompliance)

Condition/Context: During our audit, we identified 1 of 35 disbursements where the School failed to make timely payments of an invoice, resulting in a total of \$42 of incurred late fees.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

Management's Response: Management has sufficient existing school policies and internal controls in place to ensure compliance with NMAC 6.20.2.11. The Business Manager will implement an additional control for review of invoices by assuring both The Assistant business manager and the Business Manager will thoroughly review invoices for payment. The Business Manager will also implement use of electronic invoicing to ensure timely payment.

Implementation: December 31, 2018

Person Responsible: Business Manager

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

ALBUQUERQUE SCHOOL OF EXCELLENCE

2018-001 Financial Close and Reporting (Other Noncompliance)

Condition/Context: During our review of financial close and reporting, we noted the following issues:

- USDA claims of \$11,946 were recorded to fees instead of restricted grants - federal flow-through.
- Invoices for March and April 2018 food services, totaling \$32,098, were improperly recorded to the operational fund as other contract services, instead of to the food service fund as food service operations.
- The June 2018 bank reconciliation differed from the provided trial balance by \$5,371. The difference was related to a journal entry that was recorded to the incorrect account, which resulted in inaccurate reporting of expenses in OMBS.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Inaccurate accounting and reporting for food service revenues and expenses. Inaccurate reporting in OMBS.

Auditor's Recommendation: We recommend that management routinely review food service expenses and revenues to ensure activity is recorded to the correct fund and object code. We recommend management reconcile the trial balance to OMBS before the reporting period is finalized.

Management's Response: The contracted business manager will maintain a dual approval to ensure that the revenues and expenditures are being recorded correctly into the proper account code. The contracted business manager will also reconcile the trial balance to OBMS to reflect the correct amount.

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-002 Travel and Per Diem (Other Noncompliance)

Condition/Context: We noted 3 out of 8 instances in which the travel reimbursement for the principal was not properly approved by the President of the Governing Council.

Criteria: Albuquerque School of Excellence school policy requires travel reimbursements for the principal to be signed by the President of the Governing Council.

Cause: Management oversight.

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YEAR ENDED JUNE 30, 2018**

ALBUQUERQUE SCHOOL OF EXCELLENCE (CONTINUED)

2018-002 Travel and Per Diem (Other Noncompliance) (Continued)

Effect: Noncompliance with school policy.

Auditor's Recommendation: We recommend the Governing Council and management review and approve all travel disbursements prior to reimbursement.

Management's Response: Management disagrees with the finding regarding dual approval for travel reimbursements. The School had approved and implemented a new policy as of December 2017 that dual signatures for travel requisitions are required when the principal is traveling. The samples that were tested were all travel requisitions that had been submitted before the new policy had been taken into effect. As of December 2017, the policy has been followed and travel requisitions have a dual signature by the principal and GC member.

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-003 Controls over Cash Receipts (Other Noncompliance)

Condition/Context: During our review of cash receipts, we noted the following issues:

- One deposit of \$130.08 for which pre-numbered receipts were not maintained by the School.
- One out of 19 instances in which cash received was not deposited within 24 hours of receipt.

Criteria: Per NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. 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.

Cause: Procedures established by management to ensure proper documentation and timely deposit have not been established to ensure 100% compliance.

Effect: Noncompliance with NMAC 6.20.2.14.

Auditor's Recommendation: We recommend that cash receipting and deposit timing requirements be formally discussed with the individual involved in the applicable process.

Management's Response: The School has implemented a new software system to record all cash receipts when a payment is made to the School. The School will no longer use the handwritten pre-numbered logs. The school administration is also aware that the deposits have to be deposited within 24 hours of receiving payment.

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ALBUQUERQUE SCHOOL OF EXCELLENCE (CONTINUED)

2018-003 Controls over Cash Receipts (Other Noncompliance) (Continued)

Implementation: December 31, 2018

Person Responsible: Business Manager

ALDO LEOPOLD HIGH SCHOOL

2018-001 Purchasing (Other Noncompliance)

Condition/Context: During our review of 63 disbursements, we noted 13 in which the purchase order was dated after the purchase or exceeded the purchase order amount.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

Management's Response: Not Provided

Implementation: Not Provided

Person Responsible: Not Provided

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ALDO LEOPOLD HIGH SCHOOL (CONTINUED)

2018-002 Untimely Cash Receipts (Other Noncompliance)

Condition/Context: During our review of 27 cash receipts, we noted 8 cash receipts in the amount of \$1,764 that were not deposited within 24 hours of receipt.

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

Cause: Management oversight.

Effect: Noncompliance with NMAC 6.20.2.14. Possible misappropriation of School assets.

Auditor's Recommendation: We recommend that management establish a process to ensure timely deposit of all cash receipts.

Management's Response: Our school policy requires deposits be made only when they exceed \$200 or when they are five business days old, whichever comes first. This policy was approved verbally by the head of the Charter School Division in March of 2011, and it was incorporated into our charter contract with the PED. All previous auditors have accepted this as evidence of PED's approval. We will request a specific letter from PED approving our policy to satisfy this requirement.

Implementation: November 30, 2018

Person Responsible: Business Manager and PED Official

2018-003 Internal Control Structure (Previously #2017-001) (Material Weakness)

Condition/Context: During our audit we identified the following items related to the overall internal control structure during the year:

- During our review of 6 journal entries, we noted 1 that was not reviewed by someone independent of the preparer.
- During our review of the various bank reconciliations during the year, we noted variances between the actual ending general ledger balance and the expected general ledger balance, with an approximate \$8,400 variance as of June 30, 2018.
- During our review of the June 2018 bank reconciliation, we noticed 10 outstanding checks totaling \$638 that were one year or older, that should have been cancelled.
- During our review of the June 2018 bank reconciliation, we noticed 2 items totaling \$3,318 that were one year outstanding deposits from February 2018 and do not represent valid outstanding items.
- During our review of the fund balance roll forward, management was unable to roll fund balance in the operational fund, with a \$32,312 unallocated difference. This also resulted in un-located differences in the PED cash report.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding.

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ALDO LEOPOLD HIGH SCHOOL (CONTINUED)

2018-003 Internal Control Structure (Previously #2017-001) (Material Weakness) (Continued)

Criteria: 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, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP. Furthermore, the monthly bank reconciliation should reflect the actual activity as reported on the bank statement and properly reconciled to the general ledger activity, any differences among the deposits/withdrawals between the bank and the general ledger should be documented and justified. The final ending reconciled balances should not reflect a variance. Per NMSA 6-10-57(A), whenever any warrant issued by the state, county, municipality, school district is unpaid for one year after it becomes payable, the fiscal officer shall cancel it.

Cause: Lack of thorough understanding of the accounting system as it relates to the period close out and the bank reconciliation. Lack of adequate controls over the bank reconciliations and processing of journal entries. During the year, the school had 3 different business managers and lacked an adequate overall internal control environment. It appears that the cause is due to several factors, which include: 1) the timing of how and when the prior period is closed in the system and the balances roll forward, 2) the process in which the summer payroll is posted and reflected in the system; and 3) the posting of journal entries against cash that may or may not represent an actual change in cash position.

Effect: Possible misstatement to the financial statements or misappropriation of School assets. Non-compliance with other applicable laws and regulations and inaccurate reporting to PED.

Auditor's Recommendation: We recommend management evaluate the internal controls over these areas and implement effective processes to ensure accurate reporting and compliance as applicable. In addition, we recommend management obtain the necessary training on how to properly use the different modules and functions of the accounting system to prevent future occurrences.

Management's Response:

- JE number 27710 was a correction of an account code we had used that was not included in the UCOA. According to our policy, it should have been approved, to be sure, but there was no net change to cash involved, and no question at all that it was an appropriate adjustment to the accounts. We will endeavor to have every J/E approved during FY19, including those involving no net cash transaction.
- As for bank reconciliations, all debits and all credits to cash were reconciled every month so that our financial management system and our bank statements agreed every month. We believe this meets the standard described in the "Criteria" section above: monthly bank reconciliation does reflect actual activity as reflected on our bank statement and is properly reconciled to monthly activity recorded in our financial management system. There were no differences between our bank statement deposits and withdrawals and our financial management system's recorded debits and credits to cash in any month except those accounted for by outstanding items. Our financial management system will not allow us to record a reconciliation as finished if this agreement does not occur, but every month we are able to record our reconciliation as

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ALDO LEOPOLD HIGH SCHOOL (CONTINUED)

2018-003 Internal Control Structure (Previously #2017-001) (Material Weakness) (Continued)

finished. Having made these points, I acknowledge that the “Difference” reported on the “GL Reconciliation” tab on the Bank Reconciliation reports varies month-to-month, from a high on June 30, 2017 of \$636,175 to a low of \$(5,307) on December 31, 2017 and January 31, 2018. I will work with AptaFund technical support personnel to figure out how that tab can change from month-to-month even as bank statements consistently reconcile perfectly.

- We acknowledge failing to declare ten outstanding checks worth a total of \$638 as stale, even though they were outstanding for over one year. We will immediately correct this situation.
- At the end of the FY17 audit, I pointed out omissions in Patillo, Brown, and Hill’s expenditure and revenue statement that totaled \$35,609 in expenditures from the Operational Fund. These omissions all related to one payroll register that was excluded both from expenditures and payroll liabilities. (That amount became only \$32,312 in unallocated difference in the fund roll-forward mostly because Patillo, Brown, and Hill added \$3,103 in accounts payable to our expenditures, even though the payment was not made until July of the next fiscal year.) My observation was not incorporated into the final audited financial statements

Implementation: November 30, 2018 (bullet point #1)
June 30, 2019 (bullet point #2)
November 30, 2018 (bullet point #3)
N/A (bullet point #5)

Person Responsible: Business Manager (bullets #1, #2, #3, and #4)

2018-004 Budgetary Conditions (Previously #2017-002) (Other Noncompliance)

Condition/Context: During our audit, we noted one expenditure function where actual expenditures exceeded the budgetary authority:

Fund 21000- Food Services \$34,928

Management’s Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding.

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, which the function is the legal level of control.

Cause: Management oversight.

Effect: Noncompliance with state statutes.

Auditor’s Recommendation: We recommend that management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis in order to avoid any over-expended functions.

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ALDO LEOPOLD HIGH SCHOOL (CONTINUED)

2018-004 Budgetary Conditions (Previously #2017-002) (Other Noncompliance) (Continued)

Management's Response: This budgetary condition was caused by confusion about how to establish budget authority for a reimbursement-based program that did not have an award letter or an awarded amount associated with it. Other programs, such as federal Title programs or the YCC program, allow us to establish budget authority based on an award letter, even if the awarded amounts are only provided on a reimbursement basis. In the case of the federal food program, there is no such awarded amount. We were advised to enter a permanent cash transfer from Operational to Food Services, but the amount of that cash transfer was not specified. Feeling it was inappropriate to transfer more than necessary, we waited until the school year was done and the amount of our Food Services deficit was known before requesting Governing Council and PED approval of this transfer. Then, unfortunately, PED lost our transfer request, which had been sent in early June. By the time I realized they had lost the request, it was late June, and it was too late to enter a BAR based on the transfer and the revenue received through the end of the school year.

Implementation: The permanent transfer was approved by PED in July, and budget authority in the Food Services fund has already been established.

Person Responsible: Business Manager

ALMA D'ARTE CHARTER HIGH SCHOOL

2018-001 Internal Control Environment (Material Weakness)

Condition/Context: For 15 out of 19 manual journal entries selected for testing, management was unable to locate the original bank reconciliations and manual journal entries completed during the fiscal year to determine if a formal review and approval process was completed.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of established internal controls over capital asset to include the lack of a detailed asset listing and completion of an annual asset inventory.

Effect: Noncompliance with applicable statutes and possible misappropriation of asset of the School.

Auditor's Recommendation: We recommend that management establish proper internal controls and provide training to responsible staff. We recommend the School implement a document retention policy and ensure proper safeguarding of School documents.

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ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)

2018-001 Internal Control Environment (Material Weakness) (Continued)

Management's Response: Under prior administration, Alma d'Arte severely lacked internal controls. All activity outlined in the condition above took place under prior administration and the prior Business Manager. The Governance Council realized late in the 2017-18 school year that there were potential issues with administration and the Business Manager. The Governance Council immediately hired schoolAbility, a company that specializes in school business office services, to perform an internal audit. The prior administrator retired at the end of the 2017-18 school year and the Business Manager was placed on administrative leave pending the internal audit results. Her access to the system was revoked immediately.

schoolAbility was able to confirm rather quickly that fraudulent activities had occurred. The Business Manager was immediately terminated and the Alma d'Arte Governance Council asked schoolAbility to transition in to provide Business Management services on a permanent basis for the 2018-19 school year. The Governance Council also hired a new administrator to replace the prior administrator that retired at the end of the 2017-18 school year.

The Governance Council, new Administrator, and new Business Manager have been working extensively to put in place sound internal controls and train all faculty and administrative personnel on the new processes and procedures in place. The Governance Council, new Administrator, and Business Manager will continue to require adherence to all internal controls that have been established to prevent fraud, forgery, and embezzlement. Furthermore, sound internal controls have been established to ensure proper accounting policies and procedures are being followed. The Business Manager has also created a standard filing system onsite and trained all faculty and administration on source document requirements.

Implementation: July 19, 2018

Person Responsible: Business Manager, Administration

2018-002 Internal Control over Capital Assets (Material Weakness)

Condition: During our review of capital assets, we became aware that the School does not have a current asset listing nor could identify the physical assets that made up the 2017 fiscal year-end balance of approximately \$156k in capital assets. Without an asset listing, the School was unable to determine if the assets are still owned by the School or if they have been disposed of. Without the proper identification of assets, the School is unable to perform a complete annual physical inventory.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of established internal controls over capital asset to include the lack of a detailed asset listing and completion of an annual asset inventory.

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ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)

2018-002 Internal Control over Capital Assets (Material Weakness) (Continued)

Effect: Noncompliance with applicable statutes and possible misappropriation of asset of the School.

Auditor's Recommendation: We recommend that management establish proper internal controls over capital asset tracking and the financial reporting of its assets.

Management's Response: Under prior administration, Alma d'Arte severely lacked internal controls. Alma d'Arte hired a new IT Manager in February 2018. Alma d' Arte's current Business Manager discussed inventory prior to the 2017-18 audit with the IT Manager. The IT Manager stated that inventory had not been completed in several years that he could find, but he is working to correct this issue and will be conducting a thorough inventory prior to the end of the 2018 calendar year.

The Business Manager will track any future purchases of capital assets and properly report any future capital asset purchases. The IT Manager will develop a thorough inventory list so that depreciation can be properly tracked.

Implementation: October 22, 2018

Person Responsible: Business Manager, IT Manager

2018-003 Travel and Per Diem (Previously #2017-001) (Material Weakness)

Condition/Context: During our review of 9 travel and per diem related disbursements we noted the following:

- One instance where a School employee travelled to a conference held on 11/8/2017-11/11/2017. Per review of the travel reimbursement package, the employees was reimbursed for travel and meal expenses with receipt dates ranging from 11/7/2017-11/13/2017. The employee was improperly reimbursed for meals on 11/13 totaling \$20.31.
- Four instances where employees received advanced payments for travel totaling \$1,517. We noted advanced payments were made based off of 80% of the estimated cost; however, we noted receipts for actual cost expenses were not attached to the travel reimbursement packet. We were not able to determine if travel expenses paid out to school employees were correct.
- We noted four instances where the travel request form was submitted and approved by the same employee requesting travel approval.
- We noted three instances where the travel approval indicated the use of the wrong mileage reimbursement rate. In one instance, the employee was reimbursed 450 miles at 0.42 cents per mile. In a separate instance, an employee was reimbursed 100 miles at 0.40 cents per mile. A third instance indicated the travel advanced payment for 570 miles was calculated using a mileage reimbursement rate of 0.42 cents per mile. The federal rate for school year 2017 that should have been used was 80% of the IRS standard mileage rate (0.43 cents per mile).
- One instance where the travel reimbursement packet was submitted for travel expenses to Washington DC totaling \$2,644 in actual travel expenses. We were not able to review any receipts to determine if amounts reimbursed to the employee were accurate.

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ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)

2018-003 Travel and Per Diem (Previously #2017-001) (Material Weakness) (Continued)

- One instance where a purchase requisition, rather than a standard travel request form, was reviewed and approved by the former administrator for \$300 for an AP Class trip to Santa Fe. We noted the account was paid out of the 2300 (student activity) fund, but insufficient documentation was provided to determine if the reimbursement was proper.
- We noted one instance where reimbursement totaling \$814 was made to an employee for meals, parking, and gas expenses in relation to the Student All-State trip to Albuquerque. We noted reimbursement was improperly coded as employee travel rather than student travel.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding.

Criteria: Per NMAC 6.20.2.19, each school district shall establish and implement written policies and procedures for travel and training. Travel policies and procedures shall be in compliance with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-8, NMSA 1978, and Department of Finance and Administration (DFA) regulations.

Cause: Management oversight.

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all travel reimbursements have a valid receipt that covers the entire cost of the purchase prior to reimbursing employees for travel.

Management's Response: Under prior administration, Alma d'Arte severely lacked internal controls. All activity outlined in the condition above took place under prior administration and the prior Business Manager.

The Governance Council, new Administrator, and new Business Manager have been working extensively to put in place sound internal controls and train all faculty and administrative personnel on the new processes and procedures in place. Sound internal controls have been established to ensure proper accounting policies and procedures are being followed. The Business Manager will thoroughly review all travel and per diem reimbursements to ensure reimbursement is calculated in accordance with 2.42.2 NMAC Regulations Governing the Per Diem and Mileage Act. The new Administrator will also review all travel and per diem payments prior to issuance of any reimbursements. The Governance Council will review and approve all Administrator travel and per diem reimbursements prior to issuance of payment.

Implementation: July 19, 2018

Person Responsible: Business Manager, Administrator, Governance Council

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ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)

2018-004 Purchasing (Material Weakness)

Condition/Context: During our audit, we identified the following issues:

- 1 out of 65 disbursements in which the vendor's name on the invoice was different than the vendor's name selected from the detail posted to the GL. The School did not have W-9s; therefore, we were unable to determine if there was another business being used
- 6 out of 65 disbursements tested, which were noted properly approved. 3 of the 6 disbursements were requested and approved by the same person.
- 11 out of 65 disbursements tested in which we were not able to review sufficient support or any support to determine the purchases made were proper.
- 1 out of 65 disbursements tested in which approval for the expense was not obtained until after the expenses were incurred.
- 2 out of 65 disbursements in which the PO was created subsequent to the expenses being incurred.
- 2 out of 65 disbursements in which \$33 of late fees were incurred.
- 1 out of 65 disbursements in which \$16.74 were paid in sales tax.
- 3 out of 65 disbursements where the PO was overexpended for a total of \$850.36.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Possible unauthorized purchases or purchases without adequate budget authority.

Auditor's Recommendation: We recommend that management establish appropriate controls and procedures to ensure all purchases have an approved purchase order/purchase requisition prior to the purchase.

Management's Response: Under prior administration, Alma d'Arte severely lacked internal controls. All activity outlined in the condition above took place under prior administration and the prior Business Manager.

The Governance Council, new Administrator, and new Business Manager have been working extensively to put in place sound internal controls and train all faculty and administrative personnel on the new processes and procedures in place. The Governance Council, new Administrator, and Business Manager will continue to require adherence to all internal controls that have been established. Furthermore, sound internal controls have been established to ensure proper accounting policies and procedures across the board are being followed, but also to ensure purchasing policies and procedures are being followed and carried out.

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ALMA D'ARTE CHARTER HIGH SCHOOL (CONTINUED)

2018-004 Purchasing (Material Weakness) (Continued)

Implementation: July 19, 2018

Person Responsible: Business Manager, Administrator

AMY BIEHL CHARTER HIGH SCHOOL

2018-001 Pledged Collateral (Other Noncompliance)

Condition/Context: During our review of pledged collateral, we noted the School did not have sufficient collateral, resulting in deficient collateral of \$49,042.54 as of June 30, 2018.

Criteria: Per Section 6-10-17. NMSA 1978, if the pledged collateral for deposits in banks, savings and loan association, or credit unions, in an aggregate amount is not equal to one half of the amount of public money in each account, a finding shall appear in the audit report.

Cause: Lack of established procedures to ensure the bank has adequate pledged collateral as required on the School's behalf.

Effect: Noncompliance with state statute.

Auditor's Recommendation: We recommend that management review the pledged collateral requirement frequently and ensure the School's financial institution is aware of the statutory requirement.

Management's Response: Amy Biehl High School agrees with this finding. The School had adequate pledged collateral with our bank through May 2018 (in excess of \$75,000 for each of the 11 previous months). However, a large one-time revenue was received at the end of the month and, combined with an unexpected larger amount of outstanding checks than anticipated, created a larger than expected bank balance at the end of June, 2018, which caused an inadequate pledged collateral situation. Once discovered, the School took immediate action and remedied the situation by working with our bank to increase our pledged collateral. We are now adequately collateralized.

Implementation: The School remedied the situation in August 2018 by increasing the pledged collateral amount at our bank. Additionally, the Finance Director will more closely monitor cash balances in our accounts with this bank to track trends of increasing balances. If necessary, increases in pledged collateral will be made in sufficient time to assure this situation does not happen again.

Person Responsible: Finance Director.

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ANTHONY CHARTER SCHOOL

2018-001 Procurement (Other Noncompliance)

Condition/Context: During our review of procurement activities, we noted the School did not document that quotes were obtained for the purchase of computers totaling \$23,155.

Criteria: NMAC 13-1-125A indicates a central purchasing office shall procure services, construction, or items of tangible personal property having a value not exceeding sixty thousand dollars (\$60,000), excluding applicable state and local gross receipts taxes, in accordance with the applicable small purchase rules adopted by the secretary, a local public body, or a central purchasing office that has the authority to issue rules.

Cause: Lack of effective internal controls over procurement activities and documentation standards.

Effect: Noncompliance with state statute.

Auditor's Recommendation: N/A – School has closed.

Management's Response: N/A – School has closed.

Implementation: N/A – School has closed.

Person Responsible: N/A – School has closed.

2018-002 Inaccurate Meal Claim Submissions (Other Noncompliance)

Condition/Context: During our review of monthly USDA claim requests, we noted three instances in which the student breakfast/lunch counts differed from what was submitted for reimbursement. We also noted two days in which count sheets were not maintained by the school, while a total of 258 meals were claimed.

Criteria: Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations.

Cause: Lack of effective internal controls surrounding food service activities and reimbursement claims.

Effect: Inaccurate claims submitted to the USDA.

Auditor's Recommendation: We recommend that management establish a procedure to ensure that all reimbursement claims are supported by daily food service count sheets

Management's Response: N/A – School has closed.

Implementation: N/A – School has closed.

Person Responsible: N/A – School has closed.

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ANTHONY CHARTER SCHOOL (CONTINUED)

2018-003 Controls over Reimbursement Requests (Other Noncompliance)

Condition/Context: During our review of PSCOC lease assistance, we noted the School did not process the June 2018 rent invoice timely, which resulted in the rent payment being paid from the operational fund.

Criteria: Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations.

Cause: Lack of effective internal controls surrounding cost reimbursement.

Effect: Operational funds were used to pay for rental of school property while other funding sources were available.

Auditor's Recommendation: We recommend that management establish a procedure to ensure cost reimbursement requests are processed timely.

Management's Response: N/A – School has closed.

Implementation: N/A – School has closed.

Person Responsible: N/A – School has closed.

2018-004 Financial Close and Reporting: (Significant Deficiency)

Condition/Context: During our review of the fund balance roll forward prepared by management, we noted the following issues:

- Fund 31200 contained \$12,240 of fund balance, Fund 25153 contained \$160 of fund balance, and Fund 31700 contained \$156 of fund balance per the FY17 financial statements. The trial balance and adjusting entries provided by management listed no balances for said funds. The differences were not addressed or identified by the client until CLA inquired.
- 31701 was not listed on the FY17 financial statements, while the fund balance prepared by management listed fund balance. Instead, funds 31700 and 31701 were merged and presented as a single fund.
- During our review of accrued payroll, we noted management had improperly accrued \$12,278 of wages payable, as all employee wages were paid out by June 30, 2018. This resulted in an adjusting entry of \$12,278 to properly state the account.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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YEAR ENDED JUNE 30, 2018**

ANTHONY CHARTER SCHOOL (CONTINUED)

2018-004 Financial Close and Reporting: (Significant Deficiency) (Continued)

Cause: Management oversight.

Effect: Potential misstatement to financial statements.

Auditor's Recommendation: We recommend that management establish procedures to review financial statements prior to authorization and to review year end payroll.

Management's Response: N/A – School has closed.

Implementation: N/A – School has closed.

Person Responsible: N/A – School has closed.

2018-005 Controls over Employment Authorization (Other Noncompliance)

Condition/Context: During our review of employee files, we noted 1 out of 6 files reviewed did not have an ERB enrollment form included in the employee file. However, withholdings for ERB were present on the employee's paycheck.

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 district 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 certification, pay deductions authorizations, pay or position change notices, Education Retirement Act plan application, and direct deposit.

Cause: Management oversight.

Effect: Noncompliance with state statute.

Auditor's Recommendation: We recommend that management establish procedures to ensure the required documentation is contained in all personnel files and is properly completed.

Management's Response: N/A – School has closed.

Implementation: N/A – School has closed.

Person Responsible: N/A – School has closed.

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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ANTHONY CHARTER SCHOOL (CONTINUED)

2018-006 Budgetary Conditions (Other Noncompliance)

Condition/Context: During our audit, we noted two expenditure functions where actual expenditures exceeded the budgetary authority:

- Fund 11000 Function: 4000 Capital Outlay \$8,550
- Fund 31701 Function: 4000 Capital Outlay \$305

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, which the function is the legal level of control.

Cause: Management oversight.

Effect: Noncompliance with state statutes.

Auditor's Recommendation: We recommend that management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis in order to avoid any over-expended functions.

Management's Response: N/A – School has closed.

Implementation: N/A – School has closed.

Person Responsible: N/A – School has closed.

ASK ACADEMY AND FOUNDATION

2018-001 Internal Control over Financial Reporting (Material Weakness)

Condition/Context: During our audit, we noted the following issues related to financial reporting:

- The School's financial statements as of June 30, 2017 didn't properly reflect and report \$31,975 in property tax revenue that was applicable to FY17; instead, this revenue was incorrectly recognized in FY18. As a result, the beginning fund balance in fund 31701 required a restatement in the amount of \$31,975.
- During our review of the bond payable and related bond discount, we noted that the bond issuance discount incorrectly included \$171,966 in underwriter's discounts, which are considered to be a component of debt issuance costs. In accordance with generally accepted accounting principles, these should have been expensed instead of amortized. The beginning net position of the School required a restatement in the amount of \$171,966.

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ASK ACADEMY AND FOUNDATION (CONTINUED)

2018-001 Internal Control over Financial Reporting (Material Weakness) (Continued)

Criteria: Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. In addition, per GASB 65, debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred.

Cause: Lack of effective internal controls over the year-end closing process. Management oversight.

Effect: Misstatements of the School's financial statements, which required a restatement.

Auditor's Recommendation: We recommend that management ensure that adequate internal controls are established surrounding the closing process.

Management's Response: Per PED regulation, the School is required to maintain its books on a cash basis of accounting. However, the School acknowledges that the property tax revenue should have been accrued in the prior year. It should be noted that all bond information was provided to the prior year auditors. The incorrect booking was a result of prior year auditor error. The School will continue to review all accruals provided to auditors at year-end for financial statement purposes. It should be noted this finding is based on the prior year audit.

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-002 Untimely Cash Receipts (Previously #2017-001) (Other Noncompliance)

Condition/Context: During our review of 8 cash receipts, we noted 2 cash receipts in the amount of \$20,377 that were not deposited within 24 hours of receipt.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding.

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

Cause: Management oversight.

Effect: Noncompliance with NMAC 6.20.2.14.

Auditor's Recommendation: We recommend that management establish a process to ensure timely deposit of all cash receipts.

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ASK ACADEMY AND FOUNDATION (CONTINUED)

2018-002 Untimely Cash Receipts (Previously #2017-001) (Other Noncompliance) (Continued)

Management's Response: The School has procedures in place to properly log all cash receipts and to ensure that all cash receipts are deposited within 24 hours. These procedures will be reviewed with the appropriate personnel to ensure compliance.

Implementation: December 31, 2018

Person Responsible: School Administration

CARIÑOS DE LOS NIÑOS CHARTER SCHOOL

2018-001 Inaccurate Meal Claim Submissions (Other Noncompliance)

Condition/Context: During our review of monthly USDA claim requests, we noted the following issues:

- Breakfast counts were not made available or maintained for the months of August 2017 and September 2017.
- Lunch counts for September 2017 were only partially performed.
- Upon reviewing the August 2017 lunch counts, we noted inconsistencies in the counting process; thus we were unable to tie the amount of lunches claimed to the count sheets submitted to the USDA.

Criteria: Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations.

Cause: Lack of effective internal controls surrounding food service activities and reimbursement claims.

Effect: Potentially inaccurate claims submitted to the USDA.

Auditor's Recommendation: We recommend that management establish a procedure to ensure that all reimbursement claims are supported by daily food service count sheets.

Management's Response: Food services logs were to be maintained by food services coordinator/office manager. Accurate and consistent logs were not being kept.

Implementation: School ceased operations effective June 30, 2018.

Person Responsible: N/A

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CARIÑOS DE LOS NIÑOS CHARTER SCHOOL (CONTINUED)

2018-002 Controls over Employment Authorization (Other Noncompliance)

Condition/Context: During our review of employee files, we noted 1 out of 6 files reviewed did not have an ERB enrollment form included in the employee file; however, withholdings for ERB were present on the employee's paycheck.

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 district 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 1-9 for citizenship certification), federal and state withholding allowance certification, pay deductions authorizations, pay or position change notices, Education Retirement Act plan application, and direct deposit..

Cause: Management oversight.

Effect: Noncompliance with state statute.

Auditor's Recommendation: We recommend that management establish procedures to ensure the required documentation is contained in all personnel files and is properly completed.

Management's Response: Personnel files were maintained by Office Manager. Periodic checks of Human Resource files were performed and ERB forms were found to be in the files at that time. Business manager ensured ERB forms were completed for all new hires during fiscal year 2018.

Implementation: School ceased operations effective June 30, 2018.

Person Responsible: N/A

2018-003 Controls over Cash Receipts (Previously #2017-004) (Other Noncompliance)

Condition/Context: Condition/Context: During our review of cash receipts, we noted the following issues:

- 1 out of 18 deposits reviewed were not deposited within 24 hours of receipt.
- 7 out of 18 deposits did not have sufficient supporting documentation indicating when the monies were received by the school. Thus, we were unable to determine if monies were deposited within 24 hours of receipt.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding.

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YEAR ENDED JUNE 30, 2018**

CARIÑOS DE LOS NIÑOS CHARTER SCHOOL (CONTINUED)

**2018-003 Controls over Cash Receipts (Previously #2017-004) (Other Noncompliance)
(Continued)**

Criteria: NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. 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.

Cause: Procedures established by management to ensure proper documentation and timely deposit have not been established to ensure 100% compliance

Effect: Noncompliance with NMAC 6.20.2.14.

Auditor's Recommendation: We recommend that pre-numbered receipts be utilized and receipt dates be formally documented.

Management's Response: Office Manager and Parent Club Chairperson were trained on school's cash control policy and internal controls. The Chancellor was notified of the importance of deposits being made within 24 hours of receipt of cash/checks through the review of the FY16 and FY17 findings.

Implementation: School ceased operations effective June 30, 2018.

Person Responsible: N/A

2018-004 Purchasing (Previously #2014-003) (Significant Deficiency)

Condition/Context: During our review of disbursements, we noted the following issues:

- Penalties and interest charges of \$220.73 were paid by the School due to late payments for school utilities.
- Late charges of \$57.27 were paid by the School due to late payments for mobile storage.
- 4 out of 27 instances in which the date of the purchase order was after the date goods/services were received by the school.
- We noted the chief procurement officer and the governing council instructed the business manager to process 10 disbursements, approximating \$17,750, for which the date the goods/services were received preceded approved purchase orders.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding.

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CARIÑOS DE LOS NIÑOS CHARTER SCHOOL (CONTINUED)

2018-004 Purchasing (Previously #2014-003) (Significant Deficiency) (Continued)

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of available funds to pay liabilities timely due to inadequate cash management. Management oversight.

Effect: Possible unauthorized purchases or purchases without adequate budget authority.

Auditor's Recommendation: We recommend that management establish appropriate controls and procedures to ensure all purchases have an approved purchase order/purchase requisition prior to the purchase. We also recommend management monitor outstanding payables and properly manage cash to avoid late fees.

Management's Response: Chief Procurement Office/Office Manager was trained through a CPO class and by an external business manager on the schools' internal controls policy and were provided ongoing reminders regarding disbursements. In addition to receiving training on disbursements, the CPO and Chancellor were involved in discussions with the school board and finance committee on the school's prior audit findings and corrective action plan (CAP) steps on the importance of making sure purchase orders were in place prior to purchases taking place and the timely processing of invoices.

Implementation: School ceased operations effective June 30, 2018.

Person Responsible: N/A

2018-005 Pledged Collateral (Other Noncompliance)

Condition/Context: During our review of pledged collateral, we noted the School does not have a pledge agreement, which resulted in deficient collateral of \$33,062.

Criteria: Per Section 6-10-17. NMSA 1978, if the pledged collateral for deposits in banks, savings and loan association, or credit unions, in an aggregate amount is not equal to one half of the amount of public money in each account, a finding shall appear in the audit report.

Cause: Lack of established procedures to ensure the bank has adequate pledged collateral as required on the School's behalf.

Effect: Noncompliance with state statute.

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CARIÑOS DE LOS NIÑOS CHARTER SCHOOL (CONTINUED)

2018-005 Pledged Collateral (Other Noncompliance) (Continued)

Auditor's Recommendation: We recommend that management establish a pledge agreement and monitor compliance routinely.

Management's Response: Business manager was not aware that a collateral agreement was not set up with the bank when the account was opened, per NMSA 6-10-17. When this was discovered, the bank balance was too low (\$225 over \$250,000) to justify a collateral agreement being put in place as the minimum investment the bank could do was \$260,000. The school's balance was brought below the minimum amounts requiring collateralization when the lack of pledged collateral was identified.

Implementation: School ceased operations effective June 30, 2018.

Person Responsible: N/A

2018-006 Audit Committee (Previously #2017-002) (Other Noncompliance)

Condition/Context: The School did not have a parent member appointed to the audit committee during the fiscal year.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding.

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 district, and one volunteer member who has experience in accounting or financial matters."

Cause: The School has failed to recruit all required audit committee members during the fiscal year.

Effect: Noncompliance with state statute.

Auditor's Recommendation: We recommend the School recruit all required audit committee members during the fiscal year.

Management's Response: The Board, current Audit/Finance Committee members, and Chancellor were made aware of this requirement from prior year audit findings and CAP but failed to reach compliance in FY18.

Implementation: School ceased operations effective June 30, 2018.

Person Responsible: N/A

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CESAR CHAVEZ COMMUNITY SCHOOL

2018-001 Internal Controls over Reimbursements (Other Noncompliance)

Condition/Context: During our review of the March 2018 USDA claim, the school records supported a claim for 1,155 lunches; however, the School only claimed 1,094, which represents an under-reimbursement of \$202.

Criteria: 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, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Inaccurate reimbursement claim.

Auditor's Recommendation: We recommend that management establish effective internal controls surrounding the School's lunch claim process.

Management's Response: Starting immediately, verification of the Food Service Director's meal counts will be performed on a daily basis prior to USDA claim submission. The business manager will also verify meal counts before submitting the USDA claim each month.

Implementation: October 31, 2018

Person Responsible: Business Manager

2018-002 Internal Control over Financial Reporting (Other Noncompliance)

Condition/Context: During our audit, we identified a capital outlay disbursement in the amount of \$5,302 which was incorrectly classified as a supply purchase instead of a capital purchase greater than \$5,000.

Criteria: 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, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Possible misstatement to the financial statements if management doesn't properly identify capital assets.

Auditor's Recommendation: We recommend that management establish effective internal controls surrounding the process to identify capital assets.

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CESAR CHAVEZ COMMUNITY SCHOOL (CONTINUED)

2018-002 Internal Control over Financial Reporting (Other Noncompliance) (Continued)

Management's Response: The Business Manager will verify all purchases \$5,000 or greater rather than verifying only purchases classified as supply assets. If the Business Manager finds supply asset purchases that are classified incorrectly, the Business Manager will reclassify to the appropriate object code.

Implementation: October 31, 2018

Person Responsible: Business Manager

CORAL COMMUNITY CHARTER SCHOOL

2018-001 Internal Controls over Cash Receipts (Other Noncompliance)

Condition/Context: During our testing of the School's cash receipts, we identified the following exceptions:

- During our review of a component of the October 2017 USDA claim, we noted various instances in which the underlying lunch count sheets had variances to the School's tracking sheet used to submit the claims. Within our tested selection of this claim, we noted an under-reimbursement in the amount of approximately \$16 and an over-reimbursement in the amount of approximately \$6.
- The School inadvertently credited the portion of the SB9 December 2017 property tax distribution to the HB33 fund instead of the SB9 fund, which totaled \$21,657.

Criteria: 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, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

Cause: Management oversight, lack of effective controls surrounding the claims process.

Effect: Inaccurate reimbursement claims, possible misstatements to the financial statements.

Auditor's Recommendation: We recommend that management establish effective internal controls surrounding the cash receipts process to ensure accurate and proper recording and claims of the school's cash receipts.

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CORAL COMMUNITY CHARTER SCHOOL (CONTINUED)

2018-001 Internal Controls over Cash Receipts (Other Noncompliance) (Continued)

Management's Response: Coral currently has a procedure in place for checking cash receipts. The procedure is that Business Manager codes cash receipts, Executive Director checks the coding and signs off on cash receipts, Finance Committee then reviews all cash receipts in monthly meeting and checks for Executive Director's initials. In addition to this procedure, Coral will review SB-9 and HB-33 cash receipts and reconcile at end of fiscal year that amount coded in revenue closely matches amount budgeted to get for fiscal year. This step will be included in the Financial Committee review check list.

Coral will begin the procedure of reviewing reimbursement claims by two people, instead of one, before submitting lunch claims. Also, the school has added an employee who is experienced in accounts receivable for lunch payments. This employee will assist Business Manager in ensuring lunch claims are submitted correctly.

Implementation: December 31, 2018

Person Responsible: Business Manager

CORAL FOUNDATION FOR EXCELLENCE IN EDUCATION

2018-001 Internal Control over Financial Reporting (Significant Deficiency)

Condition/Context: During our audit of the Foundation, we noted the following issues related to financial reporting:

- During our review of 27 disbursements, the Foundation was unable to provide supporting documentation for 3 of our sample selections for a total of \$2,652.
- The Foundation lacks consistency in records that are maintained relating the sponsors and participants of their fundraising events.
- The monthly bank reconciliations are being done timely and accurately on a monthly basis, but lack evidence of review by someone independent of the preparer.
- The manual journal entries posted to the Foundation's general ledger lack evidence of a review by someone independent of the preparer.
- The Foundation fundraising link on the School's website includes a PayPal link for donations, however, the Foundation lacks the login information.
- The policies and procedures manual of the Foundation doesn't reflect the actual policies and procedures of the Foundation.

Criteria: The Foundation 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, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

Cause: Management oversight, lack of effective controls surrounding all aspects of the Foundation's financial accounting and reporting.

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CORAL FOUNDATION FOR EXCELLENCE IN EDUCATION (CONTINUED)

2018-001 Internal Control over Financial Reporting (Significant Deficiency) (Continued)

Effect: Possible misstatements to the financial statements, possible misappropriation of assets.

Auditor's Recommendation: We recommend that management establish effective internal controls surrounding all aspects of the Foundation's financial accounting and reporting.

Management's Response: Coral Foundation for Excellence in Education, or CFEE, will be discussing new internal control policies and procedures in the November 19, 2018 meeting.

Disbursements:

CFEE is making a new procedure that will require handling of disbursements to include backup documents be added to each disbursement once it is filed.

Fundraising Records:

CFEE will be drafting new procedures on record keeping of cash receipts for events, where they will record money brought in and label each disbursement in appropriate categories to include sponsors, participants, donors, etc. CFEE will keep a record of sponsors and participants of events.

Review of Bank Reconciliations:

CFEE reconciles the bank account on a monthly basis. The Executive Director oversees the bank reconciliation. CFEE is making a new procedure to add that the Executive Director will report the monthly bank reconciliation to the Treasurer for review. The Treasurer will then have the board approve the bank reconciliation of the prior month at each monthly meeting.

Review of Journal Entries:

CFEE has a policy in place for journal entries. CFEE will add to the policy and procedures that, after the Executive Director overlooks journal entries made by the Fiscal Manager, the Treasurer will sign off on journal entries and have the board approve journal entries on a monthly basis.

Paypal:

CFEE has taken off the Paypal information on the website. CFEE is working on getting the login information from the Paypal account.

The Executive Director will have a monthly meeting with the Treasurer to approve all journal entries, bank reconciliations, and disbursements that happened in the prior month. The Treasurer will sign off on all journal entries, bank reconciliations, and disbursements, and then have the board approve them at the monthly meeting. CFEE will have a separate file for each scheduled event. Each event file will have a list of sponsors, donors, and participants, along with all disbursements that happened during the event. CFEE will have the Executive Director align the policies and procedures of CFEE to actual day to day operations. The Executive Director will have the board approve the new policies and procedures at their December 2018 meeting.

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CORAL FOUNDATION FOR EXCELLENCE IN EDUCATION (CONTINUED)

2018-001 Internal Control over Financial Reporting (Significant Deficiency) (Continued)

Implementation: December 31, 2018

Person Responsible: Executive Director

COTTONWOOD CLASSICAL PREPARATORY SCHOOL

2018-001 Controls over Cash Receipts (Other Noncompliance)

Condition/Context: During our review of cash receipts, we noted 7 out of 18 deposits did not have sufficient supporting documentation indicating when the monies were received by the School. Thus, we were unable to determine if monies were deposited with 24 hours of receipt.

Criteria: NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. 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.

Cause: Procedures established by management to ensure proper documentation and timely deposit have not been established to ensure 100% compliance.

Effect: Noncompliance with NMAC 6.20.2.14.

Auditor's Recommendation: We recommend that pre-numbered receipts be utilized and receipt dates be formally documented.

Management's Response: The School has active extracurricular activities. Procedures over cash receipting and handling of student funds will be reviewed and implemented.

Implementation: December 31, 2018

Person Responsible: Business Manager – Office Manager

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COTTONWOOD CLASSICAL PREPARATORY SCHOOL (CONTINUED)

2018-002 Purchasing (Previously #2015-001) (Other Noncompliance)

Condition/Context: During our review of disbursements, we noted the following issues:

- Late fee charges of \$80.13 were paid by the School.
- 2 out of 32 instances in which the date of the purchase order was after the date goods/services were received by the School.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Possible unauthorized purchases or purchases without adequate budget authority.

Auditor's Recommendation: We recommend that management establish appropriate controls and procedures to ensure all purchases have an approved purchase order/purchase requisition prior to the purchase. We also recommend management monitor outstanding payables and properly manage cash to avoid late fees.

Management's Response: Training of staff on the schools purchasing procedures is on-going. The late fee noted was caused by the vendor delivering their invoice after the due date. The vendor has been contacted and late fee credited to the school.

Implementation: December 31, 2018

Person Responsible: Business Manager – Office Manager

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COTTONWOOD CLASSICAL PREPARATORY SCHOOL (CONTINUED)

2018-003 Financial Close and Reporting (Other Noncompliance)

Condition/Context: During our review of the food service fund, we noted the following issues:

- Property tax revenue of \$2,542 was improperly recorded to fund 31700 instead of fund 31701.
- During our review of subsequent disbursements, we noted one disbursement of \$1,658 was not properly identified as accounts payable.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Potential misstatement of financial statements.

Auditor's Recommendation: We recommend that management establish a procedure to routinely review property tax receipts and subsequent disbursements to properly record and identify prior the annual audit.

Management's Response: The Public Education Department added an additional fund splitting the former SB-9 Funds into two funds (31700 and 31701) from the initial reporting fund of 31700. Emphasis will be made for properly recording into the correct fund. It should be noted that the amounts entered were documented and correct.

A review of subsequent year's disbursements was conducted to determine all Accounts Payable. The item not identified was an oversight/mistake. Procedures are in place to provide all required information for the audit. However, maintaining a cash basis financial system in accordance with the State of NM requirements and preparing for a modified accrual financial statement audit may result in issues like this occurring.

Implementation: December 31, 2018

Person Responsible: Business Manager

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COTTONWOOD CLASSICAL PREPARATORY SCHOOL (CONTINUED)

2018-004 Controls over Employee Contracts: (Other Noncompliance)

Condition/Context: During our review of employee contracts, we noted one employment contract listed an approved stipend for \$2,000. Per review of the payroll register, we noted the employee was only paid \$1,000 related to the stipend.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Underpayment of employee contract.

Auditor's Recommendation: We recommend that management establish a process to ensure all contracts are reviewed and reconciled to the payroll register, including employment addendums and stipends.

Management's Response: The Director of the School placed an incorrect stipend amount on the employee addendum to the contract. However, a stipend worksheet listing all stipends and employees receiving the stipends agreed to the amount paid. The employee was paid the correct amount. The amount on the addendum was incorrect. The Office Manager will reconcile the stipend amounts on the worksheet to the addendums as she receives them to ensure the addendums are correct and payments processed are correct.

Implementation: December 31, 2018

Person Responsible: Business Manager – Office Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

DREAM DINÈ CHARTER SCHOOL

2018-001 Bank Reconciliation (Significant Deficiency)

Condition/Context: During our review of year-end bank reconciliation, it was identified that the ending balance had a variance of \$44 compared to the year-end trial balance. The School has been unable to determine the reason for the variance.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. All bank accounts shall be reconciled on a monthly basis. Per NMSA 6-10-57(A), whenever any warrant issued by the state, county, municipality, school district is unpaid for one year after it becomes payable, the fiscal officer shall cancel it.

Cause: Management oversight, lack of effective internal controls surrounding the bank reconciliation process and review.

Effect: Noncompliance with state statutes, possible misstatements to the financial statements.

Auditor's Recommendation: We recommend that management ensure that adequate internal controls are established to ensure accurate bank reconciliations are performed monthly as required and that all items at year-end are properly classified as outstanding items against cash accrued liabilities depending on the actual disbursement/ACH date.

Management's Response: Finance Committee will review the bank reconciliation in detail to ensure accurate bank reconciliations are performed monthly as required and that all items at year-end are properly classified as outstanding items against cash accrued liabilities depending on the actual disbursement/ACH date.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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YEAR ENDED JUNE 30, 2018**

DREAM DINÈ CHARTER SCHOOL (CONTINUED)

2018-002 Internal Controls over Cash Disbursements (Previously #2017-003) (Other Noncompliance)

Condition/Context: During our audit, we identified 1 out of 38 disbursements which had a purchase order dated after the purchase was made.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

Management's Response: Principal, Office Manager, and Business Manager will implement effective controls to ensure that all purchases have a valid approved purchase order and if a change is required, Office Manager/Principal will notify Business Manager so that a change purchase order is created to cover the cost of the purchase in advance of the purchase.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

DREAM DINÈ CHARTER SCHOOL (CONTINUED)

2018-003 Internal Controls over Cash Receipts (Other Noncompliance)

Condition/Context: During our review of cash receipts, we noted the following issues:

- 1 out of 12 receipts totaling \$497 was not deposited within 24 hours of receipt.
- 1 out of 12 deposits which did not include a pre-numbered cash receipt slip nor a deposit slip to determine if the funds were deposited within 24 hours of being receipted.

Criteria: NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. 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. 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.

Cause: Procedures established by management to ensure proper documentation and timely deposit have not been established to ensure 100% compliance

Effect: Noncompliance with NMAC 6.20.2.14. Possible misappropriation of School assets.

Auditor's Recommendation: We recommend that management establish effective internal controls over the cash receipting process to ensure compliance and maintain adequate supporting documentation to the receipts

Management's Response: Business Manager will review financial policies with the Office Manager to ensure that the Office Manager understands the process to ensure compliance and maintain adequate supporting documentation to the receipts. Principal will enforce the policy at the school level.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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DREAM DINÈ CHARTER SCHOOL (CONTINUED)

2018-004 Budgetary Conditions (Previously #2016-003) (Other Noncompliance)

Condition/Context: During our audit, we noted the School had an expenditure function where actual expenditures exceeded budgetary authority:

- New Mexico Reads to Lead K-3 (27114) – Direct Instruction - \$1,458

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 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.

Cause: Management oversight.

Effect: Noncompliance with 22-8-12.2 NMSA and 6.20.2.9 (A) NMAC.

Auditor's Recommendation: We recommend that management establish controls necessary to monitor the budget and submit any necessary budget adjustments on a timely basis in order to avoid overages.

Management's Response: Finance Committee will establish controls necessary to monitor the budget and submit any necessary budget adjustments on a timely basis in order to avoid overages.

Implementation: December 30, 2018

Person Responsible: Business Manager

2018-005 Internal Control over Financial Reporting (Significant Deficiency)

Condition/Context: During our audit we noted the following issues related to financial reporting:

- We noted several funds which reported expenditures in excess of revenues and required an audit adjustment entry of \$22,451 to reclassify the excess expenditures to the operational fund.
- While testing accrual of accounts payable, we identified one transaction related to FY19 in the amount of \$504, which was incorrectly identified as a liability as of June 30, 2018.
- During our testwork over capital assets, we noted that management had been partially depreciating assets based on the month the asset was placed into service and not depreciating a full year. The asset listing reported 6 out of 8 assets for which only a few depreciable months were recognized as depreciation expense, resulting in an understatement of \$2,291.
- In addition, the Schools straight line calculation is using the previous year's depreciation expense versus the asset's cost to calculate subsequent year's depreciation. This is resulting in less and less depreciation being recorded each year.

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DREAM DINÈ CHARTER SCHOOL (CONTINUED)

2018-005 Internal Control over Financial Reporting (Significant Deficiency) (Continued)

Criteria: Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of effective internal controls surrounding the journal entry process.

Effect: Misstatements of the School's financial statements, possible misappropriation of assets.

Auditor's Recommendation: We recommend that management ensure that adequate internal controls over financial year-end reporting.

Management's Response: Management will ensure that adequate internal controls over financial year-end reporting are implemented.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

DZIL DITL'OOÍ SCHOOL OF EMPOWERMENT, ACTION & PERSEVERANCE (DEAP)

2018-001 Purchasing (Previously #2016-001) (Other Noncompliance)

Condition/Context: During our audit, we identified the following issues related to purchasing:

- 3 out of 54 disbursements in which the purchase order was not provided or was prepared and approved after the actual purchase.
- 3 out of 54 disbursements totaling \$292 lacked supporting documentation.
- 2 out of 54 disbursements included sales tax of \$364 on purchases for tangible property exempt from NM GRT.
- 2 out of 54 disbursements where the School failed to make timely payments of invoices, resulting in a total in \$22.58 of incurred late fees.
- 2 out of 2 travel reimbursements lacked evidence of approval.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

Management's Response: The School will review its procedures over procurement and accounts payable to ensure completeness of record keeping, including purchase orders, invoices, and proof of payments to vendors, and that all items will be paid within 30 days of invoice date. The procedures will ensure that taxes will not be paid on the purchase of tangible personal property. In addition, a review of travel procedures will be completed to ensure appropriate approvals are required.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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**DZIL DITL'OOÍ SCHOOL OF EMPOWERMENT, ACTION & PERSEVERANCE (DEAP)
(CONTINUED)**

2018-002 Internal Controls over Reimbursements (Other Noncompliance)

Condition/Context: During our review of the November 2017 USDA claim, the school records supported a claim for 352 lunches, however the school only claimed 306, which represents an under-reimbursement of \$135.

Criteria: 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, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Inaccurate reimbursement claim.

Auditor's Recommendation: We recommend that management establish effective internal controls surrounding the School's lunch claim process.

Management's Response: The School maintains a daily count sheet and a monthly summary report which is submitted. The reports will be reconciled to ensure the correct student count for USDA claims are submitted with accuracy. The student count will be recorded on the count sheet by one person and approved by another before being submitted to USDA.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
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YEAR ENDED JUNE 30, 2018**

**DZIL DITL'OOÍ SCHOOL OF EMPOWERMENT, ACTION & PERSEVERANCE (DEAP)
(CONTINUED)**

2018-003 Internal Control over Payroll (Previously #2017-004) (Other Noncompliance)

Condition/Context: During our review of 5 personnel files and related salary contracts, we noted the following issues:

- 1 instance in which the background check on an employee was performed 7 months after the employee start date.
- 1 instance in which the ERB enrollment form was not signed by the employer.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Per NMSA 22-10A-5, the school shall develop policies and procedures to require background checks on an applicant who has been offered employment. 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 district 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 certification, pay deductions authorizations, pay or position change notices, Education Retirement Act plan application, and direct deposit authorization.

Cause: Lack of adequate controls surrounding personnel file maintenance and employee onboarding.

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all employee files contain the proper documentation and that background checks are done timely.

Management's Response: All payroll documents provided by the employees will be reviewed by both the school administration and the contracted business manager to ensure completeness.

Implementation: December 31, 2018

Person Responsible: Business Manager

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**DZIL DITL'OOÍ SCHOOL OF EMPOWERMENT, ACTION & PERSEVERANCE (DEAP)
(CONTINUED)**

2018-004 Budgetary Conditions (Previously #2016-002 and 2017-002) (Other Noncompliance)

Condition/Context: During our audit, we noted instances where actual expenditures exceeded the budgetary authority:

Fund 25248 - Instruction \$110
Fund 27150 - Support Services \$471

In addition, there were 4 budget adjustments that lacked evidence of governing council approval prior to approval by PED within OBMS.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

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, which the function is the legal level of control.

Cause: Management oversight.

Effect: Noncompliance with state statutes.

Auditor's Recommendation: We recommend that management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis in order to avoid any over-expended functions.

Management's Response: 2 invoices were paid on 06/29/2018 to vendors and caused the expenditures to exceed budget authority. The Public Education Department's deadline to submit BARs had passed and so budget authority could not be adjusted due to PED deadlines. Both funds had plenty of funds available to be moved around with the submission of a budget adjustment. The Business Manager should have waited to pay these invoices in the next fiscal year so that a BAR could have been created, and the invoices could have been paid with the proper budget authority.

Management disagrees with the BARs not being approved by Governing Council. The School had informed the Business Manager that they were still going to be purchasing and possibly paying invoices at the end of the fiscal year. The contract business manager requested approval for final BARs from the Governing Council because of the BAR submission deadline. The Governing Council approved the contract business manager to work with school administration to create final year-end transfer and maintenance BARs. Because of this, a 05/09/18 approval date was recorded in OBMS for those BARs that had been created.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

ESTANCIA VALLEY CLASSICAL ACADEMY

2018-001 Controls over Cash Receipts (Other Noncompliance)

Condition/Context: During our review of cash receipts, we noted the following issues:

- 1 out of 8 deposits reviewed were not deposited within 24 hours of receipt.
- 4 out of 8 deposits were not accompanied by a factory issued pre-numbered receipt.

Criteria: NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. 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.

Cause: Procedures established by management to ensure proper documentation and timely deposit have not been established to ensure 100% compliance.

Effect: Noncompliance with NMAC 6.20.2.14.

Auditor's Recommendation: We recommend that pre-numbered receipts be utilized and maintained.

Management's Response: 1. Due to release and medical emergency of staff, the deposit could not be made within 24 hours. Management, finance, and audit team were made aware of the issue.
2. Deposits were accompanied with receipts; however, not pre-numbered...

Adequate personnel are now in place to ensure the 24 hour deposit rule. Pre-numbered receipts are in place as of 7/1/2018.

Implementation: December 31, 2018

Person Responsible: Business Manager with ED, GC, and Finance Team oversight

**STATE OF NEW MEXICO
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ESTANCIA VALLEY CLASSICAL ACADEMY (CONTINUED)

2018-002 Purchasing (Other Noncompliance)

Condition/Context: During our review of disbursements, we noted 2 out of 20 instances in which the date of the purchase order was after the date goods/services were received by the School.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Possible unauthorized purchases or purchases without adequate budget authority.

Auditor's Recommendation: We recommend that management establish appropriate controls and procedures to ensure all purchases have an approved purchase order/purchase requisition prior to the purchase. We also recommend management review the invoice and purchase order prior to payment to determine that purchase order amount is sufficient.

Management's Response: Accounting software is not placing issuance date on POs. When a payment is being made on POs, the issuance date is after the purchase. Management has contacted software developer for guidance to not allow the PO to print until the system has the PO issued accordingly. PO summary and reconciliation to status will occur prior to signature of CPO.

Implementation: December 31, 2018

Person Responsible: Business Manager with ED, GC, and Finance Team oversight

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ESTANCIA VALLEY CLASSICAL ACADEMY (CONTINUED)

2018-003 Controls over Employee Contracts (Other Noncompliance)

Condition/Context: During our review of employee contracts, we noted the following issues.

- CLA reviewed an employee contract file listing fiscal year 2018 compensation of \$46,399.75. The payroll register indicated the employee was paid \$45,859.75 during the fiscal year. Management was unable to provide approved supporting documentation for the difference of \$480.
- CLA reviewed an employee contract file listing fiscal year 2018 compensation of \$78,088.73. The payroll register indicated the employee was paid \$77,888.73 during the fiscal year. Management was unable to provide approved supporting documentation for the difference of \$200.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Overpayment/Underpayment of employee contract.

Auditor's Recommendation: We recommend that management establish a process to ensure all contracts are reviewed and reconciled to the payroll register, including employment addendums and stipends.

Management's Response: Management will print Apta Fund employee job list and have Finance and Audit Team member(s) verify amount to contract.

Implementation: December 31, 2018

Person Responsible: Business Manager with ED, GC, and Finance Team oversight

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YEAR ENDED JUNE 30, 2018**

ESTANCIA VALLEY CLASSICAL ACADEMY (CONTINUED)

2018-004 Financial Close and Reporting (Other Noncompliance)

Condition/Context: During our review of revenues and expenses for each fund, we noted the follow issues:

- Reimbursement of \$235 from NM PED was recorded to Fund 27103 instead of Fund 27107.
- Revenues and expenses recorded by management for Fund 24101 resulted in a deficit of ending fund balance of \$72. Management indicated there was an error in the accounting system's year- end close.
- Revenues and expenses recorded by management for Fund 27114 resulted in positive ending fund balance of \$470. Since Fund 27114 is cost reimbursement, there should be no ending fund balance. Management indicated there was an error in the accounting system's year-end close.
- During our review of revenue and expenses reported to OMBS, we noted a \$9,848 variance for the instructional fund for instruction and support functions when compared to the trial balance.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Potential misstatement of the financial statements. Potential for misappropriation of assets.

Auditor's Recommendation: We recommend that management routinely reconcile cost reimbursement funds and closely review the year-end close of the accounting system.

Management's Response: Rfr documentation will be reviewed by Finance team with monthly reconciliation. Error in the accounting system's year-end close.

Implementation: December 31, 2018

Person Responsible: Business Manager with ED, GC, and Finance Team oversight

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ESTANCIA VALLEY CLASSICAL ACADEMY FOUNDATION

2018-001 Financial Close and Reporting (Significant Deficiency)

Condition/Context: During our review of the fiscal year 2018 bond issuance and corresponding accounting entries, we noted the Foundation lacked a thorough understanding of the appropriate accounting treatment of the bond issuance and related accounting due to the infrequent nature of the transaction.

Criteria: The Foundation shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

Cause: Board oversight, lack of thorough understanding of governmental accounting standards.

Effect: Misstatement of the financial statements.

Auditor's Recommendation: We recommend the Foundation thoroughly review government accounting standards related to the treatment of bond issuances and the related accounting entries.

Management's Response: While bond acquisitions are very infrequent and rare, I must admit that when recording the transactions of the financial event, I had every intention to seek out guidance from our previous auditors as to how such transactions should be recorded as well as the government accounting standards that relate to them, but I did not. Now that the building has been substantially completed and the bond transaction beginning to go into repayment, I plan on seeking counsel from those accounting auditors as to how those transactions will be recorded for the next fiscal year as well as all subsequent years.

Implementation: November 30, 2018

Person Responsible: Foundation Treasurer

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EXPLORE ACADEMY

2018-001 Untimely Cash Receipts (Other Noncompliance)

Condition/Context: During our review of 12 cash receipts, we noted one cash receipt in the amount of \$1,200 that was not deposited within 24 hours of receipt.

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

Cause: Management oversight.

Effect: Noncompliance with NMAC 6.20.2.14. Possible misappropriation of School assets.

Auditor's Recommendation: We recommend that management establish a process to ensure timely deposit of all cash receipts.

Management's Response: Procedures are already in place to ensure timely deposits within the required timelines. The School has reduced the number of individuals who collect funds to ensure that there are only two individuals who are managing incoming payments to make sure funds are deposited on time. Compliance with these procedures will be emphasized to staff collecting funds.

Implementation: December 31, 2018

Person Responsible: School Administrator and Business Manager

2018-002 Untimely Payment Processing (Significant Deficiency)

Condition/Context: During our review of 46 disbursements, we identified 33 instances in which payments for goods and/or services were not processed for payment until 1-9 months after the invoice due date, with a total of \$320 in late fees being assessed. In addition, we identified 7 instances in the amount of \$49,242 that related to a prior period and were not properly accrued and reflected in the School's FY17 financial statements.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Due to the School's recent growth, there has been a delay in the timing of the SEG adjustments to allow the School to process invoices in a timely manner.

Effect: Noncompliance with applicable rules and regulations, misstatements to the school's financial statements.

Auditor's Recommendation: We recommend management continue to work with the state as needed to alleviate the impact of any necessary adjustments.

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EXPLORE ACADEMY (CONTINUED)

2018-002 Untimely Payment Processing (Significant Deficiency) (Continued)

Management's Response: As stated in the criteria, Explore Academy currently has internal controls in place to process payments in a timely manner. The School has added an additional report to their monthly GC reports to inform the School's Governing Council and Administrator a detailed list of processed and pending invoices at the end of each month.

Implementation: December 31, 2018

Person Responsible: Business Manager

GILBERT L. SENA CHARTER HIGH SCHOOL

2018-001 Internal Control over Financial Reporting (Other Noncompliance)

Condition/Context: During our audit, we noted the following issues related to financial reporting:

- The food service fund included expenditures in excess of revenues of \$1,898 and a prior year fund balance deficit of \$4,930, which required a reclassification of expenditures to the available budget in fund 11000. The School is not monitoring and reclassifying these expenditures to avoid the accumulation of a fund balance deficit. As of June 30, 2018, the School still has a deficit of \$431. In addition, \$159 reclassification of excess expenditures in fund 26207 was required to prevent a deficit
- We noted several funds (24106 and 31200) with various positive and deficit fund balances for a net positive amount of \$3,594, which are all reimbursement-based funds and should maintain a fund balance of \$-0-. These relate to previous year excess/deficient expenses that were not reclassified timely in the applicable year with the operational fund and the School should evaluate if permanent cash transfers need to be prepared or if funds are to be returned to the grantor if the fund has a surplus.

Criteria: Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Possible misstatements to the financial statements.

Auditor's Recommendation: We recommend that management establish processes to monitor year-end balances to avoid future occurrences. In addition, we recommend management evaluate the need for any permanent cash transfers and have them approved by the Governing Council and PED.

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GILBERT L. SENA CHARTER HIGH SCHOOL (CONTINUED)

2018-001 Internal Control over Financial Reporting (Other Noncompliance) (Continued)

Management's Response: The School will be establishing processes to monitor year end balances for all funds. In addition, the School will be completing permanent cash transfers to zero out negative fund balances for reimbursement funds.

Implementation: December 31, 2018

Person Responsible: Business Manager

GREAT ACADEMY

2018-001 Financial Close and Reporting (Significant Deficiency)

Condition/Context: During our testing of financial close and reporting, we noted the following issues:

- The capital asset rollforward did not include the prior year capital asset additions. Beginning balances presented on the rollforward were misstated by \$44,527 to the fiscal year 2017 financial statements.
- During our review of accounts payable, we noted management improperly excluded \$5,194 from the accounts payable listing. We also noted \$8,091 for accounts payable identified by management that did not represent a valid payable as of June 30, 2018.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of established financial close and reporting procedures, including separate review and approval.

Effect: Potential misstatement of the financial statements. Potential for misappropriation of assets.

Auditor's Recommendation: We recommend management establish financial close and reporting procedures, including separate review and approval.

Management's Response: The School changed Business Managers during the year under audit. During the transition, more communication between the out-going and in-coming Business Manager was warranted. Moving forward, the School will enhance its financial close and reporting procedures to ensure that all rollforward schedules are properly updated and all necessary accrual items are included in the list provided to the auditors.

Implementation: June 30, 2019

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

GREAT ACADEMY FOUNDATION

2018-001 School Support (Other Noncompliance)

Condition/Context: During our audit, we noted one individual who was employed by the GREAT Academy (School) as the Director of Academics/Principal. The same individual also contracted with the Foundation as an independent contractor in the amount of \$45,000. The individual's role as an independent contractor was to perform work solely for the School and the contract made no mention of any services rendered to the Foundation. Prior to the contract, the December 12, 2017 minutes indicated that the Foundation presented the matter to the Foundation's attorney, whose legal recommendation was to gift the money to the School or take the individual on as an employee of the Foundation. One board member indicated, "It would be cleaner to go the contract route," for which a motion was made and unanimously approved by the Board. The Foundation was unable to provide sufficient reasoning for the departure from the legal recommendation.

Criteria: Since the individual performs duties solely for the School, it seems that the School should retain the individual as an employee and the Foundation can make a contribution to the School for monetary support. The Foundation should follow the legal recommendation of the attorney or seek a separate legal opinion related to this matter.

Cause: The departure from the legal recommendation was not sufficiently reasoned and considered.

Effect: The School's various funds do not accurately present employment and contractor services.

Auditor's Recommendation: We recommend the Foundation follow the legal recommendation or obtain another legal opinion related to this matter.

Management's Response: As part of the process, the board and management did go through the IRS checklist for employee vs. independent contractor and determined that the evidence suggested that it was appropriate for the aforementioned individual to be classified as an independent contractor. However, the Foundation does understand the auditor's concerns and therefore, after the audit is published, TGAF will work with its attorney, external audit firm, and the board to come up with a path forward.

Implementation: April 30, 2019

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

HEALTH LEADERSHIP HIGH SCHOOL

2018-001 Untimely Cash Receipts (Previously #2015-001) (Other Noncompliance)

Condition/Context: During our review of 13 cash receipts, we noted 1 cash receipt sample in the amount of \$290 made up of individual receipts that singly included a receipt greater than \$50 that was not deposited within 24 hours of receipt.

Management's Progress for Repeat Findings: N/A – School has closed.

Criteria: Per the School cash policy, "The Charter needs to ensure that any funds received are locked in a vault until a bank deposit is made. Cash and checks must be deposited once a week or when the amount reaches \$50, whichever comes first."

Cause: Management oversight.

Effect: Noncompliance with School's established cash policy and procedures.

Auditor's Recommendation: N/A – School has closed.

Management's Response: N/A – School has closed.

Implementation: N/A – School has closed.

Person Responsible: N/A – School has closed.

HORIZON ACADEMY WEST

2018-001 Purchasing (Other Noncompliance)

Condition/Context: During our testing over disbursements, we noted two instances in which the purchase order was issued subsequent to the purchase.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

HORIZON ACADEMY WEST (CONTINUED)

2018-001 Purchasing (Other Noncompliance) (Continued)

Management's Response: For the PO relating to fundraising, the School will implement procedures to issue POs prior to invoice based from prior year sales. For the invoice relating to plumbing/repairs, the School will implement procedures to issue an open/dollar PO at the beginning of the fiscal year for all minor repairs.

Implementation: December 31, 2018

Person Responsible: Operations Manager

2018-002 Personnel Files (Other Noncompliance)

Condition: During our audit testing over payroll we identified the following:

- 2 out of 5 personnel files reviewed which lacked the ERB enrollment form.
- 1 out of 5 personnel files whose I-9 form was not signed by the employee.
- 1 out of 5 personnel files whose hourly timesheet did not include the employee's supervisor signature.

Criteria/Context: Per NMAC 6.20.2.18, the local board shall establish written 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 certification, pay deductions authorizations, pay or position change notices, Education Retirement Act plan application, and direct deposit.

Cause: Lack of adequate controls surrounding personnel file maintenance and management oversight over timesheets.

Effect: Noncompliance with NMAC 6.20.2.18.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all employee files contain the proper documentation.

Management's Response: The Operations Manager will review all current HR files to make sure all required documents are maintained. The Operations Manager reviews all time sheets and enters approved hours into financial system, AptaFund, the Operations Manager will continue this process and make sure to sign off on all time sheets.

Implementation: December 31, 2018

Person Responsible: Operations Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

J. PAUL TAYLOR ACADEMY

2018-001 Untimely State Payroll Withholdings (Other Noncompliance)

Condition/Context: During our review of journal entries, we noted supporting documentation regarding the School incurring a penalty and interest charge totaling \$28.80 associated with untimely state withholdings.

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.

Cause: Management oversight.

Effect: Noncompliance with School's established cash policy and procedures.

Auditor's Recommendation: We recommend that management establish a process to ensure payroll withholdings are accurate and submission is made timely.

Management's Response: A procedure has been put in place for management and the business manager to review due dates monthly and ensure payments are completed by the required date.

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-002 Internal Control over Capital Assets (Significant Deficiency)

Condition/Context: During our review of capital assets, we became aware that the School does not have a current asset listing nor could it identify the physical assets that made up the 2017 fiscal year-end balance of approximately \$22k in capital assets. Without an asset listing, the School was unable to determine if the assets are still owned by the School or if they have been disposed of. Without the proper identification of assets, the School is unable to perform and complete an annual physical inventory.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of established internal controls over capital asset to include the lack of a detailed asset listing and completion of an annual asset inventory.

Effect: Noncompliance with applicable statutes and possible misappropriation of asset of the School.

Auditor's Recommendation: We recommend that management establish proper internal controls over capital asset tracking and the financial reporting of its assets.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

J. PAUL TAYLOR ACADEMY (CONTINUED)

2018-002 Internal Control over Capital Assets (Significant Deficiency) (Continued)

Management's Response: The capital assets in question have been fully depreciated and an adjustment of the depreciation will be made in the accounting system. The lack of inventory is due to a transition in management in fiscal year 2015-2016 and prior management not being able to provide the asset listing. Procedures have been implemented since that time to properly track and account for all capital asset purchases and inventory. A proper entry in the accounting software will be made to show the assets fully depreciated to prevent a repeat finding.

Implementation: December 31, 2018

Person Responsible: Business Manager

LA ACADEMIA DOLORES HUERTA

2018-001 Purchasing (Other Noncompliance)

Condition/Context: During our testing over cash disbursements we identified the following:

- 4 out of 50 disbursements which included sales tax payments for tax-exempt eligible purchases.
- 1 out of 50 disbursements which had disbursements in excess of the approved purchase order and contract agreement with the vendor.
- 5 out of 5 travel and per diem disbursements which did not have a formal written approval prior to travel. All approvals have been verbal approvals by management.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. Per NMAC 6.20.2.19, each school district shall establish and implement written policies and procedures for travel and training.

Cause: Management oversight.

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase and that the School is not incurring unnecessary costs.

Management's Response: A review of the processes and controls is currently being undertaken by the new contracted business manager and administration. This review will include policies and procedures related to reimbursements, travel, and purchasing to ensure compliance with all state laws and regulations.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

LA ACADEMIA DOLORES HUERTA (CONTINUED)

2018-001 Purchasing (Other Noncompliance) (Continued)

Implementation: December 31, 2018

Person Responsible: Business Manager/Administration

2018-002 Internal Controls over Cash Receipts (Other Noncompliance)

Condition/Context: During our review of cash receipts, we noted the following issues:

- Cash receipt logs are not consistently maintained and thus we were unable to determine if the receipts were deposited within 24 hours of receipt.
- 10 out of 10 deposits consisted of multiple cash receipts within a single pre-numbered receipt. It was identified that any cash receipts obtained during the week may be held at the front desk and turned over to the business office at the end of the week in order to make a deposit.

Criteria: NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. 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. 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.

Cause: Management oversight, lack of controls over the timely processing of cash receipt deposits.

Effect: Noncompliance, possible misappropriation of School assets.

Auditor's Recommendation: We recommend that management establish a process to ensure timely deposit of all cash receipts.

Management's Response: A review of the processes and controls is currently being undertaken by the new contracted business manager and administration. Policies and procedures over cash receipts and deposits will be included in this review.

Implementation: December 31, 2018

Person Responsible: Business Manager, Administration

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

LA ACADEMIA DOLORES HUERTA (CONTINUED)

2018-003 Internal Control over Payroll (Other Noncompliance)

Condition/Context: During our review of 11 personnel files and related salary contracts, we noted the following issues:

- 2 instances in which the ERB enrollment form was not in the employee file.
- 1 out of 11 employees whose contract amount did not agree to the total payroll disbursements. The employee installments within the payroll software were not entered over the appropriate installments, which resulted in an underpayment of \$1,247.20.

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 district 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 certification, pay deductions authorizations, pay or position change notices, Education Retirement Act plan application, and direct deposit authorization.

Cause: Lack of adequate controls surrounding personnel file maintenance and employee onboarding.

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all employee files contain the proper documentation and that employee data entered into the payroll software is reviewed for accuracy.

Management's Response: A review of the processes and controls is currently being undertaken by the new contracted business manager and administration. Included with this review will be a checklist of proper personnel documents and procedures over implementing employee contracts and payroll liabilities.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

LA ACADEMIA DOLORES HUERTA (CONTINUED)

2018-004 Internal Control Environment (Material Weakness)

Condition/Context: During our audit, the following was identified regarding the internal control environment of the School:

- Bank reconciliations, manual journal entries, and payroll reports (ERB, RHC, and 941) were not reviewed or approved by someone independent of the preparer.
- During the year, the School was not properly reconciling the payroll liabilities and utilized journal entries to correct the variance at the end of the year.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of established internal controls to prevent segregation of duties. Lack of knowledgeable individual to complete a review properly.

Effect: Noncompliance with applicable statutes and possible misappropriation of assets of the School.

Auditor's Recommendation: We recommend that management establish proper internal controls and responsible staff are provided sufficient training.

Management's Response: A review of the processes and controls is currently being undertaken by the new contracted business manager and administration. The school has begun to implement a segregation of duties between its new contracted business manager, assistant business manager, and superintendent.

Implementation: December 31, 2018

Person Responsible: Business Manager/Administration

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

LA ACADEMIA DOLORES HUERTA (CONTINUED)

2018-005 Anti-Donation (Other Noncompliance)

Condition/Context: During our audit, we identified gift cards were purchased by the school and given to School staff as recognition.

Criteria: Per Article IX Section 14, neither the state nor any country, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit or make any donations to or aid of any person, association, or public or private corporation.

Cause: Lack of management understanding of applicable regulations of the state and charters.

Effect: Noncompliance with applicable statutes and possible misappropriation of asset of the School.

Auditor's Recommendation: We recommend that management familiarize themselves with applicable rules and regulations in the State of New Mexico as it pertains to a charter school.

Management's Response: A review of the processes and controls in place is currently being undertaken by the new contracted business manager and administration. The School is now aware of the following statutes and will not continue these incentive programs/processes.

Implementation: November 16, 2018

Person Responsible: Business Manager/Administration

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

LA PROMESA EARLY LEARNING CENTER

2018-001 Internal Control over Payroll (Previously #2016-004) (Other Noncompliance)

Condition/Context: During our review of 5 personnel files and related salary contracts, we noted the following issues:

- 1 instance in which the file contained documentation that only 1 form of identification was obtained by the school in the completion of the I-9 form.
- 1 instance in which the employee was underpaid by approximately \$173 during the year after our recalculation of the employee contract amount less docked pay and time for additional unpaid time off.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Adequate controls should be maintained to ensure the accurate compensation of the School's employees. 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 district 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 certification, pay deductions authorizations, pay or position change notices, Education Retirement Act plan application, and direct deposit authorization.

Cause: Management oversight.

Effect: Noncompliance with applicable rules and regulations and inaccurate compensation to an employee.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all employee files contain the proper documentation and that compensation is properly calculated when the employee's contracted is prorated.

Management's Response: The School's Director will conduct an internal audit of employee files in coordination with the School's Director of Operations, who is tasked with maintaining all employee files. This practice has occurred in the past and the Director will formalize this as an annual process. The School's Business Manager will add another layer of review on all leave slips by reviewing alongside the timesheets, which is the current process. Additionally, the Business Manager will work with the School's payroll team to emphasize current processes as well as to attempt to identify how to improve processes (Business Manager and payroll team contracted).

Implementation: December 31, 2018

Person Responsible: Business Manager, Director

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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YEAR ENDED JUNE 30, 2018**

LA PROMESA EARLY LEARNING CENTER (CONTINUED)

2018-002 Purchasing (Previously #2015-001) (Other Noncompliance)

Condition/Context: During our review of 54 disbursements, we noted 2 instances where the School failed to make timely payments of invoices, resulting in a total in \$237.76 of late fees being paid.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: The School should process invoices in a timely manner to avoid unnecessary fees being assessed to the school.

Cause: Management oversight.

Effect: The School incurred late charges as a result.

Auditor's Recommendation: We recommend management establish processes as necessary to ensure timely processing of invoices.

Management's Response: Management is aware of the invoices noted as having late payment penalties. The Business Manager will work with the School's Director to establish a regular schedule for the review and approval of invoices as well as the picking up of invoices. In January 2018, the Director and the Business Manager determined that hard copy files of AP related items would be maintained at the Business Manager's office rather than at the School, as had been the previous practice. This process will become more formalized and timely.

Implementation: December 31, 2018

Person Responsible: Business Manager, Director

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

LA TIERRA MONTESSORI SCHOOL OF THE ARTS AND SCIENCES

2018-001 Internal Controls over Cash Disbursements (Significant Deficiency)

Condition/Context: During our audit, we identified the following issues related to purchasing:

- 3 out of 28 disbursements which included sales tax charges for tangible items as opposed to solely the labor and services provided.
- 1 out of 28 disbursements totaling \$710.70 which the School was unable to locate.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

Management's Response: The School will review all quotes that combine both tangibles and services for compliance with sales tax charges. The School continues to enforce and review the internal control policies of the School, ensuring that all staff and check signers are aware of the requirements.

Implementation: December 31, 2018

Person Responsible: Business Manager, Administrator, and Finance Committee

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

LA TIERRA MONTESSORI SCHOOL OF THE ARTS AND SCIENCES (CONTINUED)

2018-002 Internal Controls Over Cash Receipts (Other Noncompliance)

Condition/Context: During our review of cash receipts, we noted 1 out of 12 deposits totaling \$200 was not deposited within 24 hours of receipt.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. 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. 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.

Cause: Procedures established by management to ensure proper documentation and timely deposit have not been established to ensure 100% compliance.

Effect: Noncompliance with NMAC 6.20.2.14. Possible misappropriation of School assets.

Auditor's Recommendation: We recommend that management establish effective internal controls over the cash receipting process to ensure compliance and maintain adequate supporting documentation to the receipts.

Management's Response: The School shall continue to enforce and review the internal control structure of the school. The School will also review current policy and procedure to make sure that the school is in compliance with the law.

Implementation: December 31, 2018

Person Responsible: Business Manager, Administrator, and Finance Committee

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

LAS MONTANAS CHARTER SCHOOL

2018-001 Untimely Cash Receipts (Other Noncompliance)

Condition/Context: During our review of 19 cash receipts, we noted 1 cash receipt in the amount of \$19,905 that was not deposited within 24 hours of receipt. The receipt packet did not include a cash receipt slip as the check was initially mailed to the Business Manager's office and subsequently returned to the School to be deposited at the local bank branch location.

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

Cause: Management oversight.

Effect: Noncompliance with NMAC 6.20.2.14.

Auditor's Recommendation: We recommend that management establish a process to ensure timely deposit of all cash receipts, by ensuring all checks are sent to the school's physical location.

Management's Response: Management has reviewed and discussed that timely deposits will be monitored daily to ensure that they meet the 24 hour rule.

Implementation: November 13, 2018

Person Responsible: Business Manager

2018-002 Vehicle Logs (Other Noncompliance)

Condition/Context: During our review of fuel cards, we noted the School does not have a vehicle usage policy or signed acknowledgement by staff who utilize the vehicles. The School maintains fuel receipts, but mileage logs or vehicle usage requests are not maintained in order to reconcile back to the monthly fuel card statements.

Criteria: Management oversight.

Effect: Noncompliance with NMAC 6.20.2.18, possible abuse or misappropriation of assets owned by the School.

Auditor's Recommendation: It is recommended that the School establish a vehicle use policy to include annual acknowledgement by staff using School vehicle. In addition, it is recommended that the School maintain vehicle request and mileage logs within each School vehicle.

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

LAS MONTANAS CHARTER SCHOOL (CONTINUED)

2018-002 Vehicle Logs (Other Noncompliance) (Continued)

Management's Response: Management has discussed and reviewed. They have already put in place a excel vehicle logs sheet that ensures that all staff members that check out a vehicle will follow the procedure put in place. A meeting with staff will take place so that everyone understands the checkout process for vehicles and fuel cards. This will be an on-going review process to ensure it is implemented correctly.

Implementation: November 13, 2018

Person Responsible: Business Manager

2018-003 Disposal of Public Property (Other Noncompliance)

Condition/Context: During our testing over capital assets and review of meeting minutes, it was identified that he School sold one of their capital asset vehicles to a member of their governing council.

Criteria: Per 13-6-2, NMSA 1978, a state agency, local public body, school district or state educational institution may sell or otherwise dispose of real property: by negotiated sale or donation to other state agencies, local public body, school district, or state educational institution by means of competitive sealed bid, public auction or negotiated sale to a private person or to an Indian nation, tribe or pueblo in New Mexico.

Cause: Management oversight.

Effect: Noncompliance with 13-6-2 NMSA 1978.

Auditor's Recommendation: It is recommended that management establish procedures to ensure both management and the Governing Council are familiar with all requirements and applicable laws/regulations surrounding the disposal of capital assets.

Management's Response: Management has discussed and reviewed. At the time they felt they followed all the requirements; they now understand the state statute 13-6-2 NMSA 1978 and will implement the procedure with the statute.

Implementation: November 13, 2018

Person Responsible: Management

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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YEAR ENDED JUNE 30, 2018**

LAS MONTANAS CHARTER SCHOOL (CONTINUED)

2018-004 Over-Expended Budget (Other Noncompliance)

Condition/Context: During the audit, we noted the following fund where the actual expenditures exceeded the legal level of budgetary control:

- Fund 24101 Title I IASA, Operation of Noninstructional Services - \$1,633

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.

Cause: Management oversight.

Effect: Noncompliance with state statutes.

Auditor's Recommendation: We recommend that management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis in order to avoid overages.

Management's Response: Management has reviewed and discussed. They will review and implement procedures to ensure that the necessary adjustment will be completed in a timely manner, and will meet the state deadline for these adjustments.

Implementation: November 13, 2018

Person Responsible: Business Manager

2018-005 Financial Close and Reporting (Material Weakness)

Condition/Context: During testwork of the financial close and reporting process, it was noted that the School has not implemented an effective financial close and reporting process for the year ended June 30, 2018. We identified unnatural account balances, and during testing over fund balance, it was identified that a material amount incorrectly closed to the accounts payable rather than fund balance. In addition, we identified a cash receipt related to FY18 that was incorrectly excluded from the accounts receivable accrual as of June 30, 2018, which required an audit adjustment. It was also identified that the School improperly included two FY19 cash receipts as part of the accounts receivable accrual. During review of the June 2018 bank reconciliation, we identified three ACH payments totaling \$61,163 which were improperly listed as a reconciling item, as the wires were not initiated during the fiscal year.

Criteria: Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. All bank accounts shall be reconciled on a monthly basis. The school district shall submit cash reports to the department by the last working day of the month following the end of the reporting period, unless extended to a later date by the secretary of education.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

LAS MONTANAS CHARTER SCHOOL (CONTINUED)

2018-005 Financial Close and Reporting (Material Weakness) (Continued)

Cause: Management oversight.

Effect: Possible misstatements to the financial statements, possible misappropriation of assets.

Auditor's Recommendation: Lack of effective internal controls surrounding the year-end financial close and reporting process.

Management's Response: Management has reviewed and discussed. This issue was an iivee software rollover glitch. The programing vendor was contacted about the rollover glitch of fund balance hitting, accounts payable; reverse process was completed and re-run of rollover was done. New trial balances were processed and verification of cash balance, fund balance were verified. This will continue to be an area that management will have to keep a close watch on with technology now days, glitches occur.

Implementation: November 13, 2018

Person Responsible: Business Manager

MCCURDY CHARTER SCHOOL

2018-001 Internal Control over Cash Receipts (Previously #2014-003) (Significant Deficiency)

Condition/Context: During our audit, we noted the following issues during our review of 25 cash receipts:

- 2 instances totaling \$5,844 that were not deposited within 24 hours as required.
- 2 instances totaling \$6,461 which lacked a pre-numbered receipt, and the school lacks a cash receipt log book so we were unable to test for timely deposit of these cash receipts.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Per NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. 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. 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.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

MCCURDY CHARTER SCHOOL (CONTINUED)

**2018-001 Internal Control over Cash Receipts (Previously #2014-003) (Significant Deficiency)
(Continued)**

Cause: Lack of adequate internal controls surrounding cash receipts.

Effect: Possible misappropriation of assets and misstatement to the financial statements. Noncompliance.

Auditor's Recommendation: We recommend that management monitor the established procedures to ensure all staff involved with cash receipts and deposits are familiar with the established procedures to ensure timely and accurate recording and deposits of all receipts as required.

Management's Response: The school went through Business Office and Administrative staff changes throughout all of Fiscal Year 2018. The school experienced struggles with the staff hired, the lack of attention to procedures, and strictly following the internal control structures in place.

The school hired experienced Business Office Staff for FY2019. The school is currently reviewing a new Cash Receipts procedure to assist with the high volume of cash receipts within the school. The new procedure will require that all staff handling cash must be trained by the Finance Director, qualified by testing to handle cash transactions, and sign off on assurances for responsibility and accountability.

Implementation: December 31, 2018

Person Responsible: Finance Committee, Administrator, Finance Director

2018-002 - Internal Control over Athletic and Activity Funds (Material Weakness)

Condition/Context: During our review of the activity/athletic funds ending balances and related activity we noted the following issues:

- 5 of the 45 activity sub-funds have negative cash in the amount of \$5,527 at June 30, 2018.
- The athletics fund reports a \$33,279 cash deficit at June 30, 2018.
- We noted a decrease in athletic revenues of 62% or approximately \$42,000. We also noted a decrease in activity fund receipts of 53% or approximately \$41,000. Management was unable to provide sufficient audit evidence to support these fluctuations. Management did indicate the drop was due to the Gala for athletics, which was not held in February as it has been historically, which raises a significant amount of revenue for the program. We did note an approximate \$25,000 decrease during January and February (including a \$5,440 reclassification due to an error); however, for the months of July 2017 – December 2017, we noted an approximate 40% decrease in revenues.
- We identified a \$5,440 receipt for an activity in which the related disbursement for the activity was disbursed from the activity fund, yet the receipt from the students for the activity was deposited in the athletics fund, which remains uncorrected.
- Based on GL coding, we identified approximately \$10,000 in yearbook expenditures, yet only \$2,900 in related receipts.

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MCCURDY CHARTER SCHOOL (CONTINUED)

2018-002 - Internal Control over Athletic and Activity Funds (Material Weakness) (Continued)

Condition/Context (Continued):

- Management disclosed to us and provided a police report to us on November 15, 2018 that an employee in the business office had allegedly stolen a \$447 deposit, which was reported to the police. However, the School did not notify the State Auditor as required.
- Management disclosed to us that the carbon copy receipt book kept by the business office for receipts of activities and athletics was missing.

Criteria: Per NMAC 6.20.23, Student activity funds (non-instructional activities): Funds set aside for non-instructional activities shall be accounted for the same as any other funding budget in the operational subfund. Other assets held by the school district in a trustee capacity or as an agent for school organizations are considered agency funds, shall be accounted for in accordance with GAAP, and are not required to be budgeted. The school district is responsible for the accountability of agency funds. Per NMAC 6.20.2.14, School districts shall follow all applicable laws, rules and regulations in the disbursement of activity funds. 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 applicable state and federal laws and regulations. Pursuant to Section 12-6-6 NMSA 1978 (criminal violations), an agency or IPA shall notify the state auditor immediately, in writing, upon discovery of any violation of a criminal statute in connection with financial affairs. The notification shall include an estimate of the dollar amount involved and a complete description of the violation, including names of persons involved and any action taken or planned. Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of adequate internal controls surrounding the receipting and monitoring of activity and athletic funds.

Effect: Possible misappropriation of School or fiduciary assets. Possible over-expenditure of funds. Because of these matters, we were unable to obtain sufficient evidence related to the revenues/receipts within these funds and have issued a modified opinion.

Auditor's Recommendation: We recommend management establish effective internal controls surrounding the athletic and activity funds.

Management's Response: The school hired experienced Business Office Staff for FY2019. The school is currently reviewing a new Cash Receipts procedure to assist with the high volume of cash receipts within the school. The new procedure will require that all staff handling cash must be trained by the Finance Director, qualified by testing to handle cash transactions, and sign off on assurances for responsibility and accountability. In addition, the school will also track logs that are kept by the Athletic Director and Club Representatives of the Activities Accounts.

Implementation: December 31, 2018

Person Responsible: Finance Committee, Administrator, Finance Director

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YEAR ENDED JUNE 30, 2018**

MCCURDY CHARTER SCHOOL (CONTINUED)

2018-003 Internal Control over Financial Reporting (Partially Previously #2017-003) (Material Weakness)

Condition/Context: During our audit, we noted the following issues related to financial reporting:

- Included as outstanding cash items were approximately \$154,000 in disbursements that represented checks that were cut after year-end and should have been classified as accounts payable, for which an audit reclassification was required.
- Included as outstanding cash items were approximately \$143,000 in payroll disbursements that represented ACH items that were processed after year-end and should have been classified as accrued liabilities, for which an audit reclassification was required.
- Management is not reconciling the accrued payroll accounts, in which we noted an approximate \$24,000 misstatement that is still reflected in the School's financial statements.
- Management did not properly prepare a fund balance roll-forward and reconciliation. As a result, we identified an approximate \$31,000 of prior year audit journal entries that should have been posted to the School's general ledger.
- The School's bank reconciliation reflects approximately \$10,000 of invalid outstanding cash items that were outstanding checks from the old system and require management to clean-up these balances to determine if any are still valid or should be canceled.
- The School lacks adequate resources to properly close their fiscal year in a timely manner and provide the necessary schedules and documents to the auditors as requested, in order to complete the audit within the scheduled timeline.
- The School's prior year financial statements reflected approximately \$5,400 in positive fund balance within reimbursement based funds, which required a reclassification as payable back to the grantor.
- During our review of the budget and actual information, we noted an approximate \$27,000 difference between the OBMS upload and the trial balance provided to us.
- The School never provided the final PED cash report during the audit.
- The June bank reconciliation provided contained an approximate \$900 variance compared to the trial balance provided to us.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of effective internal controls surrounding the financial reporting process.

Effect: Misstatements of the School's financial statements, possible misappropriation of assets.

Auditor's Recommendation: We recommend that management ensure that adequate internal controls are established surrounding the financial reporting process.

**STATE OF NEW MEXICO
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YEAR ENDED JUNE 30, 2018**

MCCURDY CHARTER SCHOOL (CONTINUED)

2018-003 Internal Control over Financial Reporting (Partially Previously #2017-003) (Material Weakness) (Continued)

Management's Response: The school will provide sufficient resources to make sure that financial reporting is presented in a timely manner to the Finance Committee for review. Finance Committee will establish a checklist of items that will be verified, such as liabilities are reasonably stated and bank reconciliation outstanding items are timely. The school is also considering adopting alternative financial software with better user-friendly reporting characteristics.

Implementation: December 31, 2018

Person Responsible: Finance Committee with Finance Director

2018-004 Internal Control Over Purchasing and Disbursements (Significant Deficiency)

Condition/Context: During our audit, we identified the following issues when reviewing 66 disbursements as it relates to the internal controls over purchasing and disbursements:

- 47 instances in which the purchase included a purchase order, but lacked evidence of proper approval.
- 17 instances in which the payment of the invoice was not made until more than 60 days after the due date.
- 1 disbursements included sales tax of \$1,321 on purchases for tangible property exempt from NM GRT.
- 2 instances in which the PO was exceeded by \$6,031.
- Disbursements to a newly established wireless service account for the assistant business manager and 3 other employees. There was no evidence of proper authorization or a policy for this employee to enter into this agreement.
- 4 instances of late fees assessed to the School in the amount of \$1,089 for untimely invoice processing.
- 8 instances in which the PO was dated after the purchase or no evidence of a PO was provided.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of adequate controls surrounding purchasing and the related disbursements.

Effect: Noncompliance with applicable rules and regulations, possible misappropriation of assets.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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MCCURDY CHARTER SCHOOL (CONTINUED)

**2018-004 Internal Control Over Purchasing and Disbursements (Significant Deficiency)
(Continued)**

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases are properly approved prior to the purchase and the payments are processed in a timely manner. Management should also familiarize themselves with what purchases are exempt from NM GRT.

Management's Response: The school will continue to emphasize the importance of following internal controls surrounding purchasing and related disbursements. Finance Director will go over the procedure during a staff in-service, to reinforce the importance of internal controls over purchasing and disbursement, and then have all staff sign assurances for responsibility and accountability.

Implementation: January 2019

Person Responsible: Finance Director and Administrator

2018-005 Internal Control over Payroll (Previously #2017-002) (Significant Deficiency)

Condition/Context: During our review of 10 personnel files and related salary contracts we noted the following issues:

- 1 instance in which an employee's contract was amended, however the amendment lacked approval by the school administrator or the employee.
- 1 instance in which an employee elected Self + Spouse medical coverage; however, per review of payroll and the NMPSIA website, we noted that the employee was being charged the Self + Spouse rate in payroll but his spouse was not actually receiving coverage through NMPSIA.
- 1 instance in which the file lacked evidence of a background check on an employee.
- 1 instance in which the ERB enrollment form was not maintained in the file.
- 1 instance in which an employee was receiving additional life insurance, however, only \$33.48 was being charged instead of the rate of \$35.64. This change was never corrected in the system and the employee is no longer with the School.
- 1 instance in which an employee elected Self + Spouse dental coverage (and Self-Only for medical, vision, and LT disability); however, per review of payroll, we noted that the employee was improperly being charged the Self-Only rate for dental (and properly Self-Only for the other elections) in payroll.
- During our walkthrough over the 2/9/2018 payroll cycle we noted the payroll register lacked evidence of review by the school administrator.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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MCCURDY CHARTER SCHOOL (CONTINUED)

**2018-005 Internal Control over Payroll (Previously #2017-002) (Significant Deficiency)
(Continued)**

Criteria: Per NMSA 22-10A-5, the school shall develop policies and procedures to require background checks on an applicant who has been offered employment. 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 district 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 certification, pay deductions authorizations, pay or position change notices, Education Retirement Act plan application, and direct deposit authorization.

Cause: Lack of adequate controls surrounding personnel file maintenance and employee onboarding and benefit election maintenance.

Effect: Non-compliance with applicable rules and regulations, possible misstatements.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all employee files contain the proper documentation and that background checks are done timely and that adequate controls are established to ensure accurate withholdings for benefit elections.

Management's Response: The checklist of items to be included in Personnel Files is being reviewed for completeness. A monthly reconciliation process of liabilities is being implemented. Business Office Staff will review Internal Controls over Payroll to ensure compliance.

Implementation: January 2019

Person Responsible: Finance Director and Finance Committee

**STATE OF NEW MEXICO
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

MEDIA ARTS COLLABORATIVE CHARTER SCHOOL (MACCS)

2018-001 Timely Deposit of Cash Receipts (Other Noncompliance)

Condition/Context: During testing of 21 cash receipts, we noted 1 cash receipt in the amount of \$120 that was not deposited within 24 hours of receipt.

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

Cause: Management oversight.

Effect: Noncompliance with NMAC 6.20.2.14.

Auditor's Recommendation: We recommend that management establish a process to ensure timely deposit of all cash receipts.

Management's Response: The School will adhere to its policies and procedures in order to help ensure that deposits are made in a timely manner. The business manager reminded all staff involved in the deposit process of the required process.

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-002 Purchasing (Previously #2017-001) (Other Noncompliance)

Condition/Context: During our testing over 33 cash disbursements, we identified the following instances:

- 1 disbursement whose cost exceeded the purchase order by approximately \$224.
- 1 disbursement, in which the purchase order was approved subsequent to the purchase date.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Noncompliance with applicable rules and regulations.

**STATE OF NEW MEXICO
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MEDIA ARTS COLLABORATIVE CHARTER SCHOOL (MACCS) (CONTINUED)

2018-002 Purchasing (Previously #2017-001) (Other Noncompliance) (Continued)

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

Management's Response: The School will adhere to its policies and procedures in order to help ensure that purchase orders are issued prior to expenses taking place. The business manager presented at the September 19th, 2018 staff meeting to remind staff and teachers of the policies and procedures regarding disbursements to ensure issuance of a purchase order occurs prior to expenses being made and that purchases do not exceed the amount approved.

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-003 Payroll Contracts (Other Noncompliance)

Condition/Context: During testing of 5 employee payroll files, we noted 4 out of 5 included additional compensation for extra work, Saturday school, and after school program hours which did not include an agreement of the hourly rate to be paid. Further review of the school employee handbook and written policies did not indicate a specified agreed wage rate, but was explained to be a verbal agreement.

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 district 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 certification, pay deductions authorizations, pay or position change notices, Education Retirement Act plan application, and direct deposit authorization.

Cause: Management oversight.

Effect: Noncompliance with NMAC 6.20.2.18, possible wage disputes between the School and the employees.

Auditor's Recommendation: We recommend that management establish written policies and procedures to include compensation rates for additional work and include employee acknowledgement to be maintained in the employee file.

Management's Response: The school administration will execute hourly scope of work contracts for all employees who work additional duties (tutoring, Saturday School, etc.) for the current school year and will add language into employment contracts for the subsequent years.

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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MEDIA ARTS COLLABORATIVE CHARTER SCHOOL (MACCS) (CONTINUED)

2018-003 Payroll Contracts (Other Noncompliance) (Continued)

Implementation: December 31, 2018

Person Responsible: Principal and Business Manager

MONTE DEL SOL CHARTER SCHOOL

2018-001 Internal Control over Financial Reporting (Significant Deficiency)

Condition/Context: During our review of financial close and reporting we noted the following issues:

- During our review of contracts, we noted the School recorded a total of \$141,703 to rental services (account #54610) related to the bus service contract. Based on the contract, only \$78,533 was related to rents; the remainder of the contract should have been recorded to other (#55915) services.
- During our review of subsequent disbursements, we noted one item totaling \$27,454.72 was improperly excluded from the accounts payable listing provided by management.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Potential misstatement of financial statements and inaccurate reporting.

Auditor's Recommendation: We recommend that management review all subsequent disbursements when preparing the accounts payable listing. We recommend management review account codes to the most recent chart of accounts provided by NM PED.

Management's Response: Current year transportation expense accounts are being used correctly. MDS has implemented a two level review process when entering POs and for reviewing accounts.

The Business office will retain a list of year-end of accounts payables which will be provided to auditors.

Implementation: November 14, 2018

Person Responsible: Business Manager

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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MONTE DEL SOL CHARTER SCHOOL (CONTINUED)

2018-002 Payroll Contributions (Previously #2016-002) (Significant Deficiency)

Condition/Context: During our review of payroll contributions, we noted the following issues:

- Late fees of \$310 were paid due to inaccurate filings.
- Management was unable to reconcile accrued payroll of \$10,247 during our fieldwork.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Potential misstatement of financial statements and potential inaccurate reporting.

Auditor's Recommendation: We recommend that management routinely review the balance sheet and reconcile accrued payroll.

Management's Response: The Business Manager is doing a FY17 ERB/payroll reconciliation. A report has been requested from ERB on member contributions to reconcile remittances and submit them correctly by month and employee where necessary.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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MONTE DEL SOL CHARTER SCHOOL (CONTINUED)

2018-003 Controls over Cash Disbursements (Previously #2016-002) (Other Noncompliance)

Condition/Context: During our review of disbursements, we noted 5 out of 37 instances in which the purchase order was signed after the date goods/services were received by the school.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Possible unauthorized purchases or purchases without adequate budget authority.

Auditor's Recommendation: We recommend that management establish appropriate controls and procedures to ensure all purchases have an approved purchase order/purchase requisition prior to the purchase.

Management's Response: Staff has been trained at the beginning in regards to POs processes. The POs must be submitted in a timely request prior to conducting any purchases. Staff will be reminded about this throughout the year during their required trainings. Head Learner will send an email out to staff reminding them of the proper procedures in regards to POs.

Implementation: December 31, 2018

Person Responsible: Business Manager, Office Manager, and Head Learner

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MONTE DEL SOL CHARTER SCHOOL (CONTINUED)

2018-004 Controls over Cash Receipts (Previously #2016-004) (Other Noncompliance)

Condition/Context: During our review of cash receipts, we noted 7 out of 12 instances totaling \$71,337 in which a pre-numbered receipt was not used; thus we were unable to determine if the deposit was made within 24 hours of receipt.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Per NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. 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.

Cause: Procedures established by management to ensure proper documentation and timely deposit have not been established to ensure 100% compliance.

Effect: Noncompliance with NMAC 6.20.2.14.

Auditor's Recommendation: We recommend that pre-numbered receipts be utilized and receipt dates be formally documented.

Management's Response: Receipts will be in sequential order for accounting purpose. Pre-numbered receipts have been ordered and designated staff who receive funds and make deposits have been trained on the new procedures.

Implementation: November 30, 2018

**STATE OF NEW MEXICO
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MONTE DEL SOL CHARTER SCHOOL (CONTINUED)

2018-005 Controls over Bank Reconciliation (Material Weakness)

Condition/Context: During our review of the June 2018 bank reconciliation, we noted the following items were listed as outstanding electronic payments as of June 30, 2018.

- IRS outstanding payment of \$14,707.05, cleared bank July 9, 2018.
- NM RCH outstanding payment of \$9,981.25 cleared bank on July 12, 2018.
- NM ERB outstanding payment of \$85,460.71 cleared bank on July 12, 2018.

We noted the electronic payments were not initiated as of June 30, 2018, thus were not valid outstanding items against cash.

Criteria: Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. All bank accounts shall be reconciled on a monthly basis.

Cause: Management oversight.

Effect: Noncompliance with applicable statutes. Misstatement of cash balances prior to auditor identification.

Auditor's Recommendation: We recommend that management record outstanding payments as outstanding items against cash only when the electronic payment is initiated.

Management's Response: Debits and credits for payroll and AP are system-generated entries and usually those entries are not reversed. MDS will make sure that all PR liabilities are processed before or by June 30 and any outstanding liability will be listed and provided to auditors.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

MONTE DEL SOL CHARTER SCHOOL (CONTINUED)

2018-006 Controls over Voluntary Deductions (Material Weakness)

Condition/Context: During our review of accrued liabilities, we noted \$33,796 of voluntary contributions payable that consisted largely of 403(b) contributions. Management indicated they were unaware that 403(b) contributions were being withheld from employee paychecks and contributions were not remitted timely to the 403(b) administrator. Management did remit \$25,095 on September 11, 2018 related to the late contributions and has engaged the plan administrators to determine the amount of lost investment earnings due to the late contributions.

Criteria: The School has a fiduciary responsibility to properly withhold elected contributions my employees and remit them in a timely manner, in accordance with the plan administrator's requirements. Per 6.20.2.18 NMAC, 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.

Cause: Management indicated they were unaware that employees had elected to participate in 403(b) plans and that payroll withholdings were occurring during fiscal year 2018.

Effect: Failure to uphold fiduciary responsibilities. Potential lost earnings by participants for which the School is liable to contribute any lost earnings. Noncompliance with NMAC 6.20.2.18.

Auditor's Recommendation: We recommend management routinely review accrued payroll and employee withholds to ensure withholds are being properly remitted and remitted in a timely fashion. We recommend management continue to work with the plan administrators to determine any lost earnings and for the School to make contributions to true-up participant accounts.

Management's Response: During implementation of the new accounting system in FY18, some of the vendor information didn't transfer correctly; therefore various employee deduction vendors where not correct in the new system. We worked throughout the year until this issue has been remediated. Contributions were sent after the fiscal year ended and a calculation on lost income is in process to make accounts whole. Deductions have been corrected for FY19 and contributions have been sent in a timely manner.

Implementation: October 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

MONTE DEL SOL CHARTER SCHOOL (CONTINUED)

2018-007 Controls over Annual Inventory (Other Noncompliance)

Condition/Context: The School did not perform an annual inventory as of June 30, 2018.

Criteria: NMSA 12-6-10 requires an annual inventory of all physical inventory of property and equipment costing more than \$5,000 to be performed.

Cause: Management oversight.

Effect: Noncompliance with NMSA 12-6-10.

Auditor's Recommendation: We recommend management perform an annual inventory as required by NMSA 12-6-10.

Management's Response: MDS is working on drafting fixed assets and inventory procedures for staff in charge to follow. MDS will work on implementing the fixed assets module in the accounting system to be accurate and more efficient on accounting for inventory and assets management.

Implementation: March 31, 2019

Person Responsible: Business Manager, Office Manager, IT, and Head Learner

MONTESSORI ELEMENTARY SCHOOL

2018-001 Internal Control over Financial Reporting (Other Noncompliance)

Condition/Context: During our review of subsequent disbursements, we identified one disbursement of \$3,565 that should have been identified as accounts payable as of June 30, 2018 by management.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of effective internal controls surrounding the year-end financial close and reporting process.

Effect: Possible misstatements to the financial statements.

Auditor's Recommendation: We recommend that management ensure that adequate internal controls are established surrounding the year-end financial close and reporting process.

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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MONTESSORI ELEMENTARY SCHOOL (CONTINUED)

2018-001 Internal Control over Financial Reporting (Other Noncompliance) (Continued)

Management's Response: The School's Audit Committee and Management are aware of the finding and are making changes to address the issue. The School's Business Manager will continue to implement the established internal controls to report year-end liabilities. The liability in question payment was made after year-end close because the items received were missing one item which was received after year-end.

Implementation: Ongoing

Person Responsible: Business Manager

NEW AMERICA SCHOOL

2018-001 Purchasing (Other Noncompliance)

Condition/Context: During our testing over cash disbursements we identified the following:

- 2 out of 24 disbursements which included sales tax payments for tangible goods purchased by the School.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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NEW AMERICA SCHOOL (CONTINUED)

2018-001 Purchasing (Other Noncompliance) (Continued)

Management's Response: For the disbursement exceeding the PO amount, policy and procurement code will be reviewed to determine if a small percentage of a PO can be adjusted for underestimated expenditures. In this instance, the expenditure was underestimated by 5%. GRT was paid with the use of the P-Card. P-Card policy and procedures will be reviewed to determine how to prevent the paying of GRT on tangible goods.

Implementation: December 31, 2018

Person Responsible: Business Manager, Principal, CPO, GC (if policy is to be revised/acted on)

NEW AMERICA SCHOOL OF LAS CRUCES

2018-001 Internal Control over Cash Receipts (Other Noncompliance)

Condition/Context: During our audit, we noted the following issues as they relate to cash receipts:

- 4 out of 17 receipt packets with receipts totaling approximately \$4,500 that lacked individual cash receipt slips for each receipt. Each receipt slip contained numerous cash receipts, which also indicates that the payees didn't receive a carbon copy of the receipt.
- During our review of the cash receipting/handling process, we noted a lack of adequate segregation of duties. Receipt slips and daily bank deposit reconciliation were processed by the same individual who makes the actual bank deposit.

Criteria: Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. 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. 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.

Cause: Lack of adequate internal controls surrounding cash receipts.

Effect: Possible misappropriation of assets and misstatement to the financial statements.

Auditor's Recommendation: We recommend that procedures be updated and designated individuals understand their roles with the cash handing and receipting process. In addition, we recommend that compensating controls be considered in cases of limited staffing.

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NEW AMERICA SCHOOL OF LAS CRUCES (CONTINUED)

2018-001 Internal Control over Cash Receipts (Other Noncompliance) (Continued)

Management's Response: The School does have proper internal controls and procedures surrounding cash receipts in its policies. These controls and policies have been re-emphasized to the responsible staff to ensure they are followed correctly.

Implementation: 11/12/2018

Person Responsible: Business Manager, Assistant Business Manager

NEW MEXICO SCHOOL FOR THE ARTS

2018-001 Internal Control over Payroll (Material Weakness)

Condition/Context: During our audit we encountered numerous issues related to the compliance and financial accounting and reporting of payroll transactions.

- During our review of 5 personnel files, we noted 1 employee that was compensated \$1,550 more than the approved contract amount; also, the file lacked documentation to account for the additional compensation.
- 5 monthly ERB contributions were filed more than 15 days after the end of the previous month.
- A total of \$4,120 in employee voluntary 403(b) contributions from June/July 2017, which were not contributed to the plan until September 29, 2017.
- Accrued payroll account liabilities are not being reconciled.
- 941 filings for the first 3 quarters lacked evidence of review and approval and timely submission. In addition, the School incurred penalties of \$5,801.
- The ERB contribution in July 2017 for the FY17 summer payroll was approximately \$17,000 lower than it should have been, which is yet to be contributed to ERB.
- Due to the implementation of the new system, not all of the FY18 accrued payroll liabilities were reflected in the trial balance provided. As a result, an adjustment in the amount of \$92,000 was required to properly reflect the liabilities and related expenditures as of June 30, 2018.
- Approximately \$52,000 in payroll related liabilities were incorrectly classified as outstanding items in the bank reconciliation and required a reclassification journal entry to properly reflect the cash and payroll liabilities as of June 30, 2018.

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 district 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 certification, pay deductions authorizations, pay or position change notices, Education Retirement Act plan application, and direct deposit authorization. ERB require the monthly contributions to be submitted within 15 days of the end of the month. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance

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NEW MEXICO SCHOOL FOR THE ARTS (CONTINUED)

2018-001 Internal Control over Payroll (Material Weakness) (Continued)

Criteria (Continued): that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of adequate controls surrounding the financial accounting, reporting, and other compliance matters related to payroll during the fiscal year.

Effect: Noncompliance with applicable rules and regulations, misstatements to the financial statements.

Auditor's Recommendation: We acknowledge that management hired a new business manager at the end of the fiscal year and has already implemented various controls and processes to address these issues that were identified. We recommend management evaluate all processes and procedures surrounding the payroll accounting and reporting to ensure that they have implemented effective controls to address all of the issues.

Management's Response: NMSA made a decision to switch Business Managers and the Financial Management Software system at the beginning of the fiscal year. The combination of these two changes became an issue. Management recognized the issue and took action by changing Business Managers.

Implementation: Some of the corrections were made in FY18 while others were made in FY19 due to timing constraints.

Person Responsible: Internal controls have been updated and implemented to resolve these issues.

2018-002 Internal Control Structure (Significant Deficiency)

Condition/Context: During our audit, we identified the following items related to the overall internal control structure during the year:

- Bank reconciliations during the year were not being prepared and reviewed in a timely manner.
- 5 of 10 journal entries reviewed lacked evidence of review and approval by someone independent of the preparer.
- 2 out of 20 deposits reviewed lacked evidence of a pre-numbered receipt or proper signatures on the pre-numbered receipts.

Criteria: 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, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

Cause: During the year, the School had 3 different business managers and lacked an adequate overall internal control environment.

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NEW MEXICO SCHOOL FOR THE ARTS (CONTINUED)

2018-002 Internal Control Structure (Significant Deficiency) (Continued)

Effect: Possible misstatement to the financial statements if management doesn't properly identify capital assets.

Auditor's Recommendation: We acknowledge that management hired a new business manager at the end of the fiscal year and has already implemented various controls and processes to address these issues that were identified. We recommend management evaluate all processes and procedures surrounding the internal control structure to ensure that they have implemented effective controls to address all of the issues.

Management's Response: NMSA made a decision to switch Business Managers and the Financial Management Software system at the beginning of the fiscal year. The combination of these two changes became an issue. Management recognized the issue and took action by changing Business Managers.

Implementation: Some of the corrections were made in FY18 while others were made in FY19 due to timing constraints.

Person Responsible: Internal controls have been updated and implemented to resolve these issues. Bank reconciliations are reviewed monthly at the finance committee meetings. Journal entries are reviewed and approved by management

2018-003 Purchasing (Other Noncompliance)

Condition/Context: During our audit, we identified the following issues during our review of 42 disbursements:

- 1 disbursement included sales tax of \$151 on purchases for tangible property in which the school is exempt from NM GRT.
- 1 disbursement that lacked an approved purchase order or requisition and included a late charge of \$50.
- 1 disbursement in the amount of \$15,224 that lacked evidence of an approval on the purchase order.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight. In addition, during the year the School had 3 different business managers and lacked an adequate overall internal control environment.

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NEW MEXICO SCHOOL FOR THE ARTS (CONTINUED)

2018-003 Purchasing (Other Noncompliance) (Continued)

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

Management's Response: NMSA made a decision to switch Business Managers and the Financial Management Software system at the beginning of the fiscal year. The combination of these two changes became an issue. Management recognized the issue and took action by changing Business Managers.

Implementation: Some of the corrections were made in FY18 while others were made in FY19 due to timing constraints.

Person Responsible: Internal controls have been updated and implemented to resolve these issues.

NORTH VALLEY ACADEMY

2018-001 Untimely Cash Receipts (Other Noncompliance)

Condition/Context: During our review of 12 cash receipts, we noted one cash receipt in the amount of \$92 that was not deposited within 24 hours of receipt.

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

Cause: Management oversight.

Effect: Noncompliance with NMAC 6.20.2.14. Possible misappropriation of School assets.

Auditor's Recommendation: We recommend that management establish a process to ensure timely deposit of all cash receipts.

Management's Response: The School will review the requirements of NMAC 6.20.2.14 with the individual responsible for preparing and delivering the bank deposits. The School will also designate another individual/s to prepare and deliver the bank deposits to serve as a back-up when the responsible individual is absent.

Implementation: December 31, 2018

Person Responsible: Business Manager/Principal

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RED RIVER VALLEY CHARTER SCHOOL

2018-001 Chief Procurement Officer (Previously #2015-001) (Other Noncompliance)

Condition/Context: The School did not have a chief procurement officer (CPO) during fiscal year 2018.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: 13-1-95.2 NMSA 1978 requires each local public body to have a chief procurement officer.

Cause: Management oversight.

Effect: Noncompliance with state statute.

Auditor's Recommendation: We recommend that management enroll in the appropriate training, test for certificate, and notify the General Services Department of the School's CPO.

Management's Response: The School Administrator became a Chief Procurement Officer on October 19, 2018.

Implementation: October 19, 2018

Person Responsible: School Admin.

2018-002 Controls over Cash Receipts (Other Noncompliance)

Condition/Context: During our review of cash receipts, we noted the following issues:

- Pre-numbered receipts are not utilized by the school when receipting cash and checks.
- The School does not formally document the date cash and checks are received; thus we were unable to determine if monies were deposited within 24 hours of receipt.

Criteria: Per NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. 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.

Cause: Procedures established by management to ensure proper documentation and timely deposit have not been established to ensure 100% compliance.

Effect: Noncompliance with NMAC 6.20.2.14.

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RED RIVER VALLEY CHARTER SCHOOL (CONTINUED)

2018-002 Controls over Cash Receipts (Other Noncompliance) (Continued)

Auditor's Recommendation: We recommend that pre-numbered receipts be utilized and receipt dates be formally documented.

Management's Response: Red River Valley Charter School will update their school policy and bring the updated policy to the Governance Council on November 19, 2018 to ensure that received cash and checks are formally documented and that pre-numbered receipts are utilized. Once completed, controls will be implemented by the Head Administrator and the Office Manager.

Implementation: November 19, 2018

Person Responsible: Business Manager/School Admin.

2018-003 Purchasing (Other Noncompliance)

Condition/Context: During our review of disbursements, we noted 1 out of 16 disbursements for which services were performed prior to the approval of the purchase order.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Possible unauthorized purchases or purchases without adequate budget authority.

Auditor's Recommendation: We recommend that management establish appropriate controls and procedures to ensure all purchases have an approved purchase order/purchase requisition prior to the purchase.

Management's Response: The School's Office Manager will notify vendors that goods and services cannot be purchased without a preexisting purchase order. The School's Office Manager will submit all invoices for review prior to printing checks. The contracted Business Manager will confirm that the PO was issued at a date earlier than the received invoice date before approving payment. This will ensure that goods and services are not purchased without a pre-existing purchase order. If an invoice received has a date prior to the date of a purchase order, the School will ask the vendor to send a new invoice.

Implementation: December 31, 2018

Person Responsible: Business Manager

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RED RIVER VALLEY CHARTER SCHOOL (CONTINUED)

2018-004 Internal Control over Capital Assets (Significant Deficiency)

Condition/Context: During our review of capital assets, we noted the School excluded a capital asset addition of \$21,600 from the capital asset listing and rollforward.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of established procedures to identify capital asset additions.

Effect: Misstatement of capital assets.

Auditor's Recommendation: We recommend management establish a procedure to review all purchases to identify any capital asset additions.

Management's Response: The School's Business Manager will maintain a Fixed Asset Listing that tracks depreciation and records all assets the School purchases.

Implementation: December 31, 2018

Person Responsible: Business Manager

ROOTS AND WINGS COMMUNITY SCHOOL

2018-001 Internal Control over Capital Assets (Significant Deficiency)

Condition/Context: During our review of capital assets, it was identified that the School does not have a current asset listing nor could identify the physical assets that made up the 2017 fiscal year-end balance of approximately \$193,700 in capital assets, with a net book value of approximately \$107,600. Without an asset listing, the School was unable to determine if the assets are still owned by the School or if they have been disposed of. Without the proper identification of assets, the School failed to perform an annual physical inventory over all of its assets.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of established internal controls over capital assets to include the lack of a detailed asset listing and completion of an annual asset inventory.

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ROOTS AND WINGS COMMUNITY SCHOOL (CONTINUED)

2018-001 Internal Control over Capital Assets (Significant Deficiency) (Continued)

Effect: Noncompliance with applicable statutes and possible misappropriation of asset of the School.

Auditor's Recommendation: We recommend that management establish proper internal controls over capital asset tracking and the financial reporting of its assets.

Management's Response: The school obtained the fixed asset listing from the former auditor and has reviewed it to ensure that the listing is accurate as of November 2018. The fixed asset listing will be maintained by the school's Business Manager going forward to ensure that all assets are accurately tracked and verified at year end by conducting an annual inventory.

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-002 Internal Controls over Cash Disbursements (Previously #2015-003) (Significant Deficiency)

Condition/Context: During our audit, we identified the following issues related to purchasing:

- 10 out of 21 disbursements totaling \$16,211 lacked a purchase order or lacked an approval signature on the purchase order provided.
- 4 out of 21 disbursements totaling \$5,431 lacked supporting documentation to include a purchase order, invoice, and check stub.
- 1 out of 21 disbursements where the School failed to make timely payments of invoices, resulting in a total in \$36.00 of incurred late fees.
- 1 out of 21 disbursements where the PO amount was exceeded by \$1,521.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Noncompliance with applicable rules and regulations.

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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ROOTS AND WINGS COMMUNITY SCHOOL (CONTINUED)

2018-002 Internal Controls over Cash Disbursements (Previously #2015-003) (Significant Deficiency) (Continued)

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

Management's Response: The School has hired a new Business Manager and procedures have been established that include appropriate retention of all documentation related to purchasing, including compiling the check stub, signed invoice, and signed Purchase Order for all accounts payable transactions. Files will be maintained at the school site to ensure compliance with purchasing requirements and will be available for future review by external auditors and other agencies as required. The school will also utilize change orders to address changes to the original Purchase Order and will retain approved change orders in the procurement files. The school will pay invoices as they are received and prior to the due date to avoid paying late fees.

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-003 Internal Controls Over Cash Receipts (Other Noncompliance)

Condition/Context: During our review of cash receipts, we noted the following issues:

- 1 out of 20 deposits totaling \$150 was not deposited within 24 hours of receipt.
- 1 out of 20 deposits which included one receipt slip made up of different check and cash transactions.
- During our review of 20 deposits, we noted 19 deposits totaling \$41,151, which lacked a returned deposit slip from the bank. Receipts needed to be traced to the bank statement to ensure they were properly deposited to the School's bank account.

Criteria: NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. 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. Each school district shall develop, establish, and maintain a structure of internal accounting controls and written procedures

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ROOTS AND WINGS COMMUNITY SCHOOL (CONTINUED)

2018-003 Internal Controls Over Cash Receipts (Other Noncompliance) (Continued)

Criteria (Continued): 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.

Cause: Procedures established by management to ensure proper documentation and timely deposit have not been established to ensure 100% compliance.

Effect: Noncompliance with NMAC 6.20.2.14. Possible misappropriation of School assets.

Auditor's Recommendation: We recommend that management establish effective internal controls over the cash receipting process to ensure compliance and maintain adequate supporting documentation to the receipts.

Management's Response: The School has hired a new Business Manager and procedures have been established that include appropriate retention of all documentation related to cash receipts. Cash receipts will be deposited within 24 hours of receiving funds as required by NMAC 6.20.2.14. Appropriate personnel will be trained on documentation of funds received using pre-numbered receipts and support will be maintained with each deposit, including copies of receipts, deposit slips, and the cash receipt transaction report from the accounting system.

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-004 Internal Controls over Payroll (Previously #2017-003) (Other Noncompliance)

Condition/Context: During testing of 5 employee payroll files, we noted the following issues:

- 2 out of 6 payroll samples included additional compensation for extra work, camping/outdoor trip hours which did not include an agreement of the hourly rate to be paid. Further review of the school employee handbook and written policies did not indicate a specified agreed wage rate, but was explained to be a verbal agreement.
- 1 of 6 payroll samples tested identified a negative variance of \$2,093 against the employee's salary contract within their file. Discussion with current management noted the employee had a mid-year salary change, which was not documented with the employee file nor included a signed wage rate change by the employee.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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ROOTS AND WINGS COMMUNITY SCHOOL (CONTINUED)

**2018-004 Internal Controls over Payroll (Previously #2017-003) (Other Noncompliance)
(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 district 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 certification, pay deductions authorizations, pay or position change notices, Education Retirement Act plan application, and direct deposit authorization.

Cause: Management oversight.

Effect: Noncompliance with NMAC 6.20.2.18, possible wage disputes between the School and the employees.

Auditor's Recommendation: We recommend that management establish written policies and procedures to include compensation rates for additional work and include employee acknowledgement to be maintained in the employee file.

Management's Response: The School has hired a new Business Manager and procedures have been established to ensure required documentation is maintained within employee personnel files. Annual contracts for all salary and additional compensation received will be maintained within the personnel files to ensure appropriate payment to school personnel. Employee checklists of required documents will be maintained for each personnel file and reviewed annually to ensure compliance. The school's Director will provide appropriate documentation related to all salaries and additional compensation to the Business Manager prior to wages being paid to employees.

Implementation: December 31, 2018

Person Responsible: Business Manager and School Director

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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ROOTS AND WINGS COMMUNITY SCHOOL (CONTINUED)

2018-005 Budgetary Conditions (Previously #2017-001) (Other Noncompliance)

Condition/Context: During our audit, we noted the school had an expenditure function where actual expenditures exceeded budgetary authority:

- Operational Fund (11000) - Operation of Non-instructional Services - \$116
- Title XIX MEDICAID 3/21 Years (25153) – Direct Instruction - \$436

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 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.

Cause: Management oversight.

Effect: Noncompliance with 22-8-12.2 NMSA and 6.20.2.9 (A) NMAC.

Auditor's Recommendation: We recommend that management establish controls necessary to monitor the budget and submit any necessary budget adjustments on a timely basis in order to avoid overages.

Management's Response: Budget adjustments will be submitted to the Governing Council to ensure budgetary control at the function level. End of year processes will be implemented to ensure that the school's budget at each function meets statutory requirements at June 30th of each fiscal year.

Implementation: December 30, 2018

Person Responsible: Business Manager

2018-006 Internal Control Environment (Material Weakness)

Condition/Context: Management was unable to locate the original bank reconciliations and manual journal entries completed during the fiscal year to determine if a formal review and approval process was completed.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of established internal controls over capital asset to include the lack of a detailed asset listing and completion of an annual asset inventory.

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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ROOTS AND WINGS COMMUNITY SCHOOL (CONTINUED)

2018-006 Internal Control Environment (Material Weakness) (Continued)

Effect: Noncompliance with applicable statutes and possible misappropriation of asset of the School.

Auditor's Recommendation: We recommend that management establish proper internal controls and provide training to responsible staff. We recommend the School implement a document retention policy and ensure proper safeguarding of School documents.

Management's Response: Monthly bank reconciliations with the corresponding bank statements will be provided to the Director and Governing Council President for review and signature. All bank reconciliations and statements will be filed at the school after the appropriate approvals have been obtained.

Implementation: December 31, 2018

Person Responsible: Business Manager

SANDOVAL ACADEMY OF BILINGUAL EDUCATION (SABE)

2018-001 Timely Deposit of Cash Receipts (Previously #2017-001) (Other Noncompliance)

Condition/Context: During our testing over cash receipts, we noted 1 cash receipt that was not deposited within 24 hours of receipt. In addition, we noted 8 out of 11 receipts that did not include pre-numbered receipt slips, which we were unable to determine the receipt date along with how many transactions made up that one receipt in order to test that receipts were deposited within 24 hours of receipt.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

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

Cause: Management oversight.

Effect: Noncompliance with NMAC 6.20.2.14.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

Management's Response: Procedures are already in place to ensure timely deposits within the required timelines. Compliance with these procedures will be emphasized to staff collecting funds to ensure that all deposits are received and properly recorded.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SANDOVAL ACADEMY OF BILINGUAL EDUCATION (SABE) (CONTINUED)

2018-001 Timely Deposit of Cash Receipts (Previously #2017-001) (Other Noncompliance) (Continued)

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-002 Chief Procurement Officer Registration (Previously #2016-001) (Other Noncompliance)

Condition/Context: The School did not have a Chief Procurement Officer (CPO) until February 2018. Due to the absence of a CPO during the fiscal year, the chief procurement officer did not appear as registered with the General Services Department site until June 2018.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Local public bodies shall provide the state purchasing division with their chief procurement officer on or before January 1 or each year beginning in 2014 as required by NMSA Section 13-1-95.2.

Cause: Management oversight.

Effect: Noncompliance with state statute.

Auditor's Recommendation: We recommend that the School have an established backup staff complete the CPO training and review charter statutes and regulations to ensure the School is in compliance.

Management's Response: In FY2018, Sandoval Academy's Executive Director was unable to become CPO Certified until February 2018 due to classes only being offered quarterly. The School is aware of the state statute and the Executive Director has been a Certified CPO for the School since February 2018.

Implementation: July 1, 2018

Person Responsible: School Administrator

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SCHOOL OF DREAMS ACADEMY/SCHOOL OF DREAMS EDUCATIONAL FOUNDATION

2018-001 Purchasing (Previously #2015-001) (Significant Deficiency)

Condition/Context: During our audit, we identified the following issues related to purchasing:

- 4 out of 41 disbursements totaling \$34,866 in which the purchase order was not provided or was prepared and approved after the actual purchase.
- 1 out of 41 disbursements totaling \$15,064 were improperly coded to supply assets (\$5,000 or less). It should be coded to fixed assets (more than \$5,000).
- 5 out of 6 samples selected for travel and per diem testing totaled \$7,483 of disbursements, which were incorrectly coded as employee travel and thus did not need to be tested under the Travel and Per Diem Act.
- 1 out of 41 disbursements totaling \$7,000 was improperly coded to rental expenses while the invoice indicated items had been purchased.
- 2 out of 41 disbursements included sales tax which combined totaled \$102.21 on purchases for tangible goods exempt from New Mexico Gross Receipts Tax.
- 1 out of 41 disbursements was overpaid by a total of \$50 on check #7641.
- 1 out of 41 disbursements where the School failed to make timely payments of invoices, resulting in a total in \$395.10 of incurred late fees.
- 1 out of 5 credit card statements where the School failed to make timely payments of credit card statements, resulting in a total of \$250.38 in late and financing fees.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Possible misstatement to the financial statements if management does not accurately record transactions. Possible unauthorized purchases or purchases without adequate budget authority.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

Management's Response: The School of Dreams has taken action this 2018- 2019 school year to hire an in-house Business Manager to work alongside the previous Licensed Business Manager. This is to ensure that all purchase requests are created, purchase orders are done before the invoices are paid. Coding is being double checked and process time is being kept at a minimum.

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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**SCHOOL OF DREAMS ACADEMY/SCHOOL OF DREAMS EDUCATIONAL FOUNDATION
(CONTINUED)**

2018-001 Purchasing (Previously #2015-001) (Significant Deficiency) (Continued)

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-002 Fuel Card and Vehicle Logs (Other Noncompliance)

Condition/Context: During our review of fuel cards and vehicle logs we identified the following:

- The School does not have a formal vehicle usage policy or require a signed acknowledgement by the staff using the public vehicles.
- During our understanding of controls over vehicles and fuel cards, management described that vehicle logs are maintained and fuel receipts will include a trip or purpose detail. When vehicle logs were requested, they were not readily available. Following a subsequent request for the vehicle logs, we identified that vehicles logs have not been maintained.
- The School also identified that in order to transport students, employees must have proof of CPR and defensive driving training within their employee file. In conjunction with payroll testing, we noted individuals using the vehicles did not have either certificate within their file, and also did not state their purpose for use of the vehicle in order to determine if students were being transported.
- When completing fuel card testing, it was identified that a reconciliation or review of the fuel cards is not completed by someone independent of the users of the vehicle.

Criteria: Management should maintain adequate controls surrounding the use of School vehicles and fuel cards to mitigate the risk of misappropriation of school assets.

Effect: Misappropriation of School assets.

Auditor's Recommendation: It is recommended that the School establish a vehicle use policy to include annual acknowledgement by staff using School vehicles. In addition, it is recommended that the School maintain vehicle request and mileage logs within each School vehicle. Monthly reconciliations of the fuel card statements should be supported by vehicle logs, and fuel receipts and reconciled by an independent person.

Management's Response: Effective this 2018-2019 school year, a log for the use of all school vehicles has been implemented. All staff and teacher's requests are to be placed in advance with date, time, and destination being required. Vehicle inspections are required before and after the vehicle is used. CPR, defensive driving training and certification, and physicals are all required to drive students anywhere. These certifications will be placed in each employee's personnel folder (per NM Department of Transportation guidelines).

Implementation: December 31, 2018

Person Responsible: Business Manager

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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**SCHOOL OF DREAMS ACADEMY/SCHOOL OF DREAMS EDUCATIONAL FOUNDATION
(CONTINUED)**

2018-003 Internal Controls over Cash Receipts (Previously #2017-004) (Other Noncompliance)

Condition/Context: During our review of cash receipts, we noted the following issues:

- 8 out of 24 cash receipts that totaled \$3,342 which did not have a deposit made within 24 hours of receipt.
- During our review of 24 deposits, we noted 6 checks totaling \$170,027 for which the School was unable to provide any supporting documentation related to the date the checks were received to verify compliance with the 24 hour rule.
- During our review of 24 deposits, we noted 2 cash receipts totaling \$80.00 which did not contain a separate pre-numbered receipt per transactions.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight, lack of controls over the timely processing of cash receipt deposits.

Effect: Noncompliance, possible misappropriation of School assets.

Auditor's Recommendation: We recommend that management establish a process to ensure timely deposit of all cash receipts.

Management's Response: The School of Dreams has taken action this 2018-2019 school year to hire an in-house Business Manager to prevent this problem. A number receipt policy is currently in effect for all money that comes in. Deposits are made daily. There is no holding of money or checks and the timely processing of cash deposited will be done.

Implementation: December 31, 2018

Person Responsible: Business Manager

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**SCHOOL OF DREAMS ACADEMY/SCHOOL OF DREAMS EDUCATIONAL FOUNDATION
(CONTINUED)**

2018-004 Personnel Files (Other Noncompliance)

Condition/Context: During our review of 10 personnel files, we noted 1 personnel file which had falsified information from what was entered into the financial payroll system. This error was a result of false information previously being provided to the School by the employee who was rehired, but the School failed to validate the employee's new hire information matched what was previously recorded in the system. Once the School was made aware of the falsified information, the employee was terminated.

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 district 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 certification, pay deductions authorizations, pay or position change notices, Education Retirement Act plan application, and direct deposit authorization.

Cause: Management oversight

Effect: Noncompliance with NMAC 6.20.2.18.

Auditor's Recommendation: We recommend that management establish procedures to ensure the required documentation is contained in all personnel files and is reviewed against the data entered in the payroll software.

Management's Response: School of Dreams has already taken action to ensure that all personnel files have been reviewed and will constantly be under review for possible changes.

Implementation: December 31, 2018

Person Responsible: Business Manager

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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**SCHOOL OF DREAMS ACADEMY/SCHOOL OF DREAMS EDUCATIONAL FOUNDATION
(CONTINUED)**

2018-005 Internal Controls over Capital Assets (School and Foundation) (Material Weakness)

Condition/Context: During our audit, we noted the following issues related to capital assets:

- During our testwork over capital assets, we noted that management had been partially depreciating assets based on the month the asset was placed into service and not depreciating a full year. The asset listing reported 4 out of 15 assets for which only a few depreciable months were recognized as depreciation expense, resulting in an understatement of \$19,898.
- During the audit, it was determined that management of the Foundation and the School has not properly identified all possible capital asset improvements related to the School's facility site due to the uncertainty of unrecorded liabilities.

Criteria: 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, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP. Per NMSA 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.

Cause: Lack of established procedures over year-end review over capital assets and their respective depreciation.

Effect: Potential misstatements of financial statements. Furthermore, as a result we were unable to obtain sufficient and appropriate audit evidence in which to form and express an opinion on the financial statements.

Auditor's Recommendation: We recommend that management ensure that adequate review and internal controls are established surrounding the year-end financial close and reporting process.

Management's Response: In the past, the previous auditor did not request assets and liabilities to be stated from the school foundation. We will identify all actual and contingent assets and liabilities and will make sure that these are disclosed on the books and records henceforth.

Implementation: December 31, 2018

Person Responsible: Management

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**SCHOOL OF DREAMS ACADEMY/SCHOOL OF DREAMS EDUCATIONAL FOUNDATION
(CONTINUED)**

2018-006 Over-Expended Budget (Previously #2015-002) (Other Noncompliance)

Condition/Context: During the audit, we noted the following funds where the actual expenditures exceeded the legal level of budgetary control:

- Operational Fund (11000), Instructional - \$43,486
- Capital Improvements HB33 Fund (31600), Capital Outlay - \$48,363

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

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.

Cause: Management oversight.

Effect: Noncompliance with state statutes.

Auditor's Recommendation: We recommend that management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis in order to avoid overages.

Management's Response: The Business Manager and finance committee will work along with the Principal to continue to monitor changes and decision that will affect the budget. Management will continue to stress the importance of meeting the deadline for BAR transfers in the effort to keep the charter in compliance.

Implementation: December 31, 2018

Person Responsible: Business Manager

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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**SCHOOL OF DREAMS ACADEMY/SCHOOL OF DREAMS EDUCATIONAL FOUNDATION
(CONTINUED)**

**2018-007 Financial Close and Reporting (School and Foundation) (Previously #2017-001)
(Material Weakness)**

Condition/Context: During testwork of the financial close and reporting process, it was noted that the School has not implemented an effective financial close and reporting process for the year ended June 30, 2018. We noted the following items related to financial close and reporting:

- During testwork over fund balance, it was noted that prior year activity was incorrectly closed to accounts payable rather than fund balance, which resulted in asking management to work with the financial system to close the fiscal year correctly in order to provide another trial balance as of 6/30/18.
- We identified approximately \$6,775 in cash receipts that was not properly identified by management as of June 30, 2018.
- The misclassification of account codes and inconsistent use of during the audit; for example, during our analysis of rent expense, we noted inconsistencies in the accounts being used, the lease payments during the year were charged to the various accounts: Building Lease/Rent, Land Improvements, Maintenance & Repairs Grounds/Building, & Construction Services. There is uncertainty if some of these disbursements related to capital improvements that would be required to be capitalized.
- The Foundation reported a \$25,000 unearned revenue amount at June 30, 2017, which was a prepayment of rent from the School dating back to 2013. This amount was recognized as revenue in fiscal year 2018; however, the amount was not reflected as a prepaid asset on the School as of June 30, 2017. There is uncertainty as to the nature of the payment and appropriate timing of revenue recognition.
- The rent revenue recognized on the Foundation was approximately \$41,000 higher than the rental expense to the Foundation on the School's trial balance. Management was unable to reconcile the difference.
- In addition, the total rent expense recorded was not consistent with the lease agreements. Management was unable to properly reconcile.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Possible misstatements to the financial statements, possible misappropriation of assets. Furthermore, as a result we were unable to obtain sufficient and appropriate audit evidence in which to form and express an opinion on the financial statements.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

**SCHOOL OF DREAMS ACADEMY/SCHOOL OF DREAMS EDUCATIONAL FOUNDATION
(CONTINUED)**

**2018-007 Financial Close and Reporting (School and Foundation) (Previously #2017-001)
(Material Weakness) (Continued)**

Auditor's Recommendation: Lack of effective internal controls surrounding the year-end financial close and reporting process.

Management's Response: School of Dreams Management team will identify all actual and contingent assets and liabilities and will make sure that these are disclosed on the books and records for our financials at the end of the year.

Management will review the detailed finding and continued training will take place to ensure proper coding will be done.

Prior auditors capitalized this expense on the Foundation's books as prepaid rent to be expensed when the intercompany rents began being paid. We depended on the prior auditors to have knowledge of this activity and to guide us in how the accrual should be represented. We will investigate the history of this transaction and adjust the records accordingly.

Implementation: December 31, 2018

Person Responsible: The Management team will ensure there is a reconciliation of all intercompany revenue/expense effective immediately. Both the Foundation and the School will work together to insure that both parties balance.

2018-008 Financial Reporting and Accounting of Liabilities (School and Foundation) (Material Weakness)

Condition/Context: During the course of the audit, management did not properly identify all liabilities and other obligations of the School or Foundation as of June 30, 2018. We encountered the following difficulties in performing our audit:

- During our audit, we noticed the June 30, 2017 financial statements included an understatement of the Foundation's note payable by approximately \$89,000. This required a restatement to the financial statements.
- During our audit, management of the Foundation did not disclose a potential claim/litigation against the Foundation with the land developer with which the Foundation previously entered into an agreement. We identified this potential claim during our review of minutes. During a phone call with the Foundation on November 8, 2018, we were advised that the issues was resolved in the prior week and it was no longer an issue. Upon request of the agreement, we did confirm that the claim was withdrawn and the Foundation re-engaged in the contract. However, we also noted a note payable established at the end of October 2018 in the amount of approximately \$264,000 to the developer for value previously provided to the Foundation. When discussed with the Foundation on November 15, 2018, it was disclosed that this related to services previously provided in 2016 and 2017 and this should have been a liability as of June 30, 2017.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

**SCHOOL OF DREAMS ACADEMY/SCHOOL OF DREAMS EDUCATIONAL FOUNDATION
(CONTINUED)**

2018-008 Financial Reporting and Accounting of Liabilities (School and Foundation) (Material Weakness) (Continued)

Condition/Context (Continued):

- During our analysis of rent expense, we were unable to reconcile the recorded amounts back to the lease agreements, which management was unable to reconcile the difference. During a conversation with School management on November 15, 2018, it was determined that the School had not paid the May and June land lease payments to the Village of Los Lunas in the amount of approximately \$48,000. Per inquiry of the Village on November 15, 2018, the School has yet to make this payment, and is not current on the FY19 lease payments.
- On November 15, 2018, we discussed with management other possible unrecorded liabilities of either the School or the Foundation, which initially management was not aware of any; however, they disclosed other possible amounts due to contractors, of which the amount was unknown by management. However, on November 19, 2018, we received additional audit evidence that indicates a contractor has a claim against the Foundation in the amount of approximately \$894,439 (including accrued interest) related to a construction contract in which draws submitted by the contractor to the Foundation from 2016 remain unpaid. In addition, we obtained additional audit evidence that indicated the Foundation had \$51,627 in unpaid attorney fees as of June 30, 2018 and another \$6,351 in unbilled services. These unpaid legal fees represent another liability not previously disclosed to us at any point during the audit.

Criteria: Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of adequate internal controls and proper understanding of generally accepted accounting principles to proper account for and report all liabilities and obligations of either entity. In addition, the School is not fulfilling its responsibilities with the required lease payments related to the grounds lease and is not properly identifying all obligations of the Foundation and School that could have an impact on the Foundation's ability to re-structure its' current note payable of \$2.5M which matured in October 2018, or future financing if they are unable to report an accurate financial position of the separate entities.

Effect: Possible misstatements to the financial statements, possible misappropriation of assets. Furthermore, as a result we were unable to obtain sufficient and appropriate audit evidence in which to form and express an opinion on the financial statements.

Auditor's Recommendation: Lack of effective internal controls surrounding the year-end financial close and reporting process.

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NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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**SCHOOL OF DREAMS ACADEMY/SCHOOL OF DREAMS EDUCATIONAL FOUNDATION
(CONTINUED)**

2018-008 Financial Reporting and Accounting of Liabilities (School and Foundation) (Material Weakness) (Continued)

Management's Response: Prior auditors did not request assets and liabilities to be stated. We will identify all actual and contingent assets and liabilities and will make sure that these are disclosed on the books and records henceforth. The Management Team will work with the foundation on the PBS detailed requirement that are due annually by the foundation. This will be an on-going process and internal controls will need to be set.

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-009 Internal Control over Disbursements (Foundation) (Previously #2017-001) (Significant Deficiency)

Condition/Context: During our audit of the Foundation, we reviewed 20 disbursements and the Foundation was unable to provide support for 2 disbursements in the amount of \$1,102.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: The Foundation 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, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

Cause: Management oversight, lack of effective controls surrounding all aspects of the Foundation's disbursements.

Effect: Possible misstatements to the financial statements, possible misappropriation of assets.

Auditor's Recommendation: We recommend that management establish effective internal controls surrounding all aspects of the Foundation's disbursements.

Management's Response: The Foundation is looking into implementing internal controls.

Implementation: December 31, 2018

Person Responsible: Executive Director

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SIX DIRECTIONS INDIGENOUS SCHOOL

2018-001 Bank Reconciliations (Other Noncompliance)

Condition/Context: During review of the June operating bank reconciliation, we noticed one outstanding check totaling \$3,239 that was one year or older, that should have been cancelled.

Criteria: Per NMSA 6-10-57(A), whenever any warrant issued by the state, county, municipality, school district is unpaid for one year after it becomes payable, the fiscal officer shall cancel it.

Cause: Management oversight.

Effect: Noncompliance with applicable statutes.

Auditor's Recommendation: We recommend that management establish effective internal controls to ensure timely cancellation of outstanding checks as required.

Management's Response: The School does have internal controls in place to endure timely cancellation of outstanding checks. However, the School was told that the vendor may have received the check so it was not cancelled until they were later notified it was not received.

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-002 Chief Procurement Officer Registration (Previously #2017-002) (Other Noncompliance)

Condition/Context: The School's chief procurement officer registered with the General Services Department is no longer employed by the school. The School has not provided the state purchasing agent the name of the new chief procurement officer nor has an individual at the School completed the certification program. Therefore, the School lacked a Chief Procurement Officer for the entire fiscal year.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

Criteria: Local public bodies shall provide the state purchasing division with their chief procurement officer on or before January 1 or each year beginning in 2014 as required by NMSA Section 13-1-95.2.

Cause: Management oversight.

Effect: Noncompliance with state statutes.

Auditor's Recommendation: The School should establish internal controls to ensure compliance with all new laws and regulations.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SIX DIRECTIONS INDIGENOUS SCHOOL (CONTINUED)

**2018-002 Chief Procurement Officer Registration (Previously #2017-002) (Other Noncompliance)
(Continued)**

Management's Response: The School has assigned an employee who will complete the certification program to become the School's Chief Procurement Officer.

Implementation: December 31, 2018

Person Responsible: School Administration

SOUTH VALLEY PREPARATORY SCHOOL

2018-001 Purchasing (Other Noncompliance)

Condition/Context: During our audit, we identified 1 out of 50 disbursements where the School failed to make timely payments of an invoice, resulting in a total of \$39 of incurred late fees.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight.

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

Management's Response: Management will review and revise internal controls to assure invoices are paid timely, and that all purchases have an approved purchase order.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
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YEAR ENDED JUNE 30, 2018**

SOUTHWEST AERONAUTICS, MATHEMATICS, AND SCIENCE ACADEMY (SAMS)

2018-001 Timely Deposit of Cash Receipts (Other Noncompliance)

Condition/Context: During testing of 26 cash receipts, we noted 1 cash receipt in the amount of \$200 that was not deposited within 24 hours of receipt.

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

Cause: Management oversight.

Effect: Noncompliance with NMAC 6.20.2.14.

Auditor's Recommendation: We recommend that management establish a process to ensure timely deposit of all cash receipts.

Management's Response: The Southwest Aeronautics, Mathematics, and Science Academy has developed a detailed financial policies and procedures manual. Management has reviewed the environment and requirements surrounding cash receipts with all receiving and business staff. Notice has been sent to applicable staff reiterating the importance of internal controls in making sure all money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. The school's administration will continue to work to maintain an internal control environment and structure that will maintain compliance with legal and regulatory requirements. Responsible party for corrective action: Business Manager. Timeline for corrective action: December 31, 2018.

Implementation: December 31, 2018

Person Responsible: Business Manager

SOUTHWEST PREPARATORY LEARNING CENTER

2018-001 Untimely Cash Receipts (Other Noncompliance)

Condition/Context: During our review of 16 cash receipts, we noted 1 cash receipt sample that included two transactions in the amount of \$60 that were not deposited within 24 hours of receipt

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

Cause: Management oversight.

Effect: Noncompliance with NMAC 6.20.2.14. Possible misappropriation of School assets.

Auditor's Recommendation: We recommend that management establish a process to ensure timely deposit of all cash receipts.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SOUTHWEST PREPARATORY LEARNING CENTER (CONTINUED)

2018-001 Untimely Cash Receipts (Other Noncompliance) (Continued)

Management's Response: The school has processes and procedures in place to properly log all cash receipts and to ensure that all cash received is deposited within 24 hours. These processes and procedures will be reviewed with the appropriate personnel.

Implementation: December 31, 2018?

Person Responsible: Business Manager

2018-002 Pledged Collateral (Other Noncompliance)

Condition/Context: During our review of pledged collateral, we noted the School did not have sufficient collateral, resulting in deficient collateral of \$93,993.

Criteria: Per Section 6-10-17. NMSA 1978 if the pledged collateral for deposits in banks, savings and loan association, or credit unions, in an aggregate amount is not equal to one half of the amount of public money in each account, a finding shall appear in the audit report.

Cause: Lack of established procedures to ensure the bank has adequate pledged collateral as required on the School's behalf.

Effect: Noncompliance with state statute.

Auditor's Recommendation: We recommend that management review pledged collateral requirement frequently and ensure the School's financial institution is aware of the statutory requirement.

Management's Response: Management will work with the school's financial institution to notify them of the insufficient collateral. We will request either a monthly statement or online access to view the securities marked as pledged collateral so that the requirement is met at all times.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SOUTHWEST PREPARATORY LEARNING CENTER (CONTINUED)

2018-003 Purchasing (Other Noncompliance)

Condition/Context: During our testing of 22 cash disbursements, we identified 1 disbursement in which the services were provided prior to the approved purchase order.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight. In addition, the School was under financial authority of New Mexico Public Education Department.

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

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.

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-004 Year-End Accounts Payable Accrual (Other Noncompliance)

Condition/Context: During our audit, we identified two disbursements related to FY18 that totaled \$7,819 that were incorrectly excluded from the accounts payable accrual as of June 30, 2018, which required an audit adjustment.

Criteria: Per NMAC 6.20.2.11(6), transactions are to be recorded as necessary to permit preparation of financial statements in conformity with GAAP. In addition, school districts shall establish any other criteria applicable to such statements to maintain accountability for assets.

Cause: Management oversight.

Effect: Misstatement to the School's financial statements.

Auditor's Recommendation: We recommend management perform an additional review of the year-end accounts payable accrual.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SOUTHWEST PREPARATORY LEARNING CENTER (CONTINUED)

2018-004 Year-End Accounts Payable Accrual (Other Noncompliance) (Continued)

Management's Response: The School will review all processes used for year-end financial closing and reporting processes to ensure all disbursements are properly recorded.

Implementation: December 31, 2018

Person Responsible: Business Manager

SOUTHWEST SECONDARY LEARNING CENTER

2018-001 Pledged Collateral (Other Noncompliance)

Condition/Context: During our review of pledged collateral, we noted the School did not have sufficient collateral, resulting in deficient collateral of \$506,252.

Criteria: Per Section 6-10-17. NMSA 1978 if the pledged collateral for deposits in banks, savings and loan association, or credit unions, in an aggregate amount is not equal to one half of the amount of public money in each account, a finding shall appear in the audit report.

Cause: Lack of established procedures to ensure the bank has adequate pledged collateral as required on the School's behalf.

Effect: Noncompliance with state statute.

Auditor's Recommendation: We recommend that management review pledged collateral requirement frequently and ensure the School's financial institution is aware of the statutory requirement.

Management's Response: Management will work with the school's financial institution to notify them of the insufficient collateral. We will request either a monthly statement or online access to view the securities marked as pledged collateral so that the requirement is met at all times.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

STUDENT ATHLETE HEADQUARTERS ACADEMY (SAHQ ACADEMY)

2018-001 Internal Control over Payroll (Other Noncompliance)

Condition/Context: During our review of 6 personnel files and related salary contracts, we noted the following issues:

- 5 out of 6 files lacked evidence that a background check was performed on the employee.
- 1 out of the 6 employees changed positions during the year, which involved a change in pay. Our recalculation of the proration due to the change revealed the employee was underpaid \$560.

Criteria: Per NMSA 22-10A-5, the school shall develop policies and procedures to require background checks on an applicant who has been offered employment. In addition, adequate controls should be maintained to ensure the accurate compensation of the School's employees.

Cause: Management oversight.

Effect: Noncompliance with applicable rules and regulations and inaccurate compensation to an employee.

Auditor's Recommendation: N/A - The School ceased operations effective for FY19.

Management's Response: N/A - The School ceased operations effective for FY19.

Implementation: N/A - The School ceased operations effective for FY19.

Person Responsible: N/A - The School ceased operations effective for FY19.

2018-002 Purchasing (Other Noncompliance)

Condition/Context: During our review of procurement and purchasing for the School, we noted the following issues:

- The School lacked a Chief Procurement Officer for the entire fiscal year.
- Disbursements totaling approximately \$106,000 lacked evidence of quotes being obtained.

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of understanding by management of the applicable rules and regulations when procuring goods and services as a governmental entity in the State of New Mexico.

Effect: Noncompliance with applicable rules and regulations.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

STUDENT ATHLETE HEADQUARTERS ACADEMY (SAHQ ACADEMY) (CONTINUED)

2018-002 Purchasing (Other Noncompliance) (Continued)

Auditor's Recommendation: N/A - The School ceased operations effective for FY19.

Management's Response: N/A - The School ceased operations effective for FY19.

Implementation: N/A - The School ceased operations effective for FY19.

TAOS ACADEMY FOUNDATION

2018-001 Internal Controls (Other Noncompliance)

Condition/Context: During our audit of the Foundation, we noted a check in the amount of \$1,231.95 with only one signature. Foundation policy requires dual signatures on all checks as approval of the expenditure.

Criteria: Foundation policy requires dual signatures on all checks as approval of the expenditure.

Cause: Management oversight.

Effect: Possible unauthorized expenditures.

Auditor's Recommendation: We recommend that management ensure that adequate internal controls are established surrounding the check signing process.

Management's Response: The Foundation continues to review and enforce the internal controls in place with staff and foundation members. Management will continue to stress the need for two signatures on all checks.

Implementation: December 31, 2018

Person Responsible: Foundation Representative and Finance Committee

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

TAOS INTEGRATED SCHOOL OF THE ARTS

2018-001 Untimely Processing and Submission of Reimbursement Requests (Other Noncompliance)

Condition/Context: As of June 30, 2018, the School had outstanding reimbursement requests that approximated \$221,000, which represents the reimbursement requests for the entire year.

Criteria: The School should process reimbursement requests on a more frequent basis, depending on the activity of the funds, to avoid using restricted components of cash for operational purposes.

Cause: Management oversight.

Effect: Lack of available unrestricted cash for operational purposes.

Auditor's Recommendation: We recommend that management ensure reimbursement requests are done more frequently.

Management's Response: The School did comply with the mandatory deadline of Requests for Reimbursements, and does understand the need to submit more often throughout the year. The School agrees to submit BARS at least biannually or quarterly dependent upon the amount of the request.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

TIERRA ADENTRO: THE NM SCHOOL OF ACADEMICS, ART & ARTESANIA

2018-001 Accounts Payable (Material Weakness)

Condition/Context: During our review of accounts payable we identified a liability in the amount of approximately \$360,000 that was not properly reported in the School's financial statements as of June 30, 2017, which required a restatement to the beginning fund balance of the School's financial statements.

Criteria: Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of effective internal controls surrounding the year-end financial close and reporting process.

Effect: Misstatements of the School's financial statements, possible misappropriation of assets.

Auditor's Recommendation: We recommend that management ensure that adequate internal controls are established surrounding the year-end financial close and reporting process.

Management's Response: The School will review the processes used for year-end financial closing and reporting processes to ensure all account receivables and liabilities (accounts payable) are properly recorded. We would like to note that the prior year auditors were made aware of the transaction highlighted in this finding.

Implementation: June 30, 2019

Person Responsible: School Administration and Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

TIERRA ADENTRO: THE NM SCHOOL OF ACADEMICS, ART & ARTESANIA (CONTINUED)

2018-002 Purchasing (Other Noncompliance)

Condition/Context: During our audit, we identified the following issues related to purchasing:

- 3 out of 38 disbursements in which the purchases exceeded the purchase order by \$4,958 at the time of purchase. The purchase orders were amended subsequent to the actual purchase.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of understanding by management of the applicable rules and regulations when procuring goods and services as a governmental entity in the State of New Mexico.

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

Management's Response: The School has controls in place to ensure that a Purchase Order is in place before a purchase is made. The School will go over the process in one of their staff meetings to ensure that all staff understands the correct purchasing process.

Implementation: December 31, 2018

Person Responsible: School Administration and Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

TIERRA ADENTRO: THE NM SCHOOL OF ACADEMICS, ART & ARTESANIA (CONTINUED)

2018-003 Internal Controls Over Cash Receipts (Previously #2017-001) (Other Noncompliance)

Condition/Context: During our review of cash receipts, we noted the following issues:

- 4 out of 12 deposit packets that totaled \$1,641 included receipts that were not within 24 hours of receipt.
- During our review of 12 deposits, we noted 1 activity fund deposit that lacked a signature by the activity sponsor. In addition, the deposit documentation had duplicated the receipts and three receipts totaling \$120 were voided after we brought this to the attention of the School.
- During our review of 12 deposits, we noted 1 activity fund deposit in the amount of \$738, for which the School was unable to provide any supporting documentation related to the receipt.
- During our review of 12 deposits, we noted 1 activity fund deposit that included \$315 in cash; however, the documentation lacked support as to nature of receipt and which students had paid.
- During our review of 12 deposits, we noted 1 activity fund deposit in the amount of \$1,443, which had a variance of \$290 compared to the supporting documentation and receipts.
- During testing of revenue we identified \$3,369 in receipts relating to lunch collections that were receipted into the School's Paypal account; however, the asset and the related revenue was never recorded on the School's accounting system.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding due to a transition in the business manager, and will work toward corrective action during FY2019.

Criteria: NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Procedures established by management to ensure proper documentation and timely deposit have not been established to ensure 100% compliance. In addition, the School lacks effective internal controls over the cash receipts of activity funds.

Effect: Noncompliance with NMAC 6.20.2.14. Possible misappropriation of School assets.

Auditor's Recommendation: We recommend that management establish effective internal controls over the cash receipting process to ensure compliance and maintain adequate supporting documentation to the receipts

Management's Response: The School will review its internal controls to establish a better process for cash receipting. The School will also go over the process in one of their staff meetings to ensure that all staff understands the process.

Implementation: December 31, 2018

Person Responsible: School Administration

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

TIERRA ENCANTADA CHARTER SCHOOL

2018-001 Timely Submission of ERB Contributions (Other Noncompliance)

Condition/Context: During our review of the School's monthly ERB contributions, we noted 1 month which was not filed in a timely manner and the School was assessed a late payment fee.

Criteria: ERB requires the monthly contributions to be submitted within 15 days of the end of the month.

Cause: Management oversight.

Effect: Noncompliance with ERB's contribution requirements.

Auditor's Recommendation: We recommend management establish processes and procedures to ensure timely submission of required reporting and contributions.

Management's Response: Management agrees with this finding. Management will establish a process for payment of ERB contributions with a built in lead time to consider banking transfer deadlines or any other technical reasons a payment may be delayed. We will set a date that works for management to assure that these payments will be timely.

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-002 Pledged Collateral (Other Noncompliance)

Condition/Context: During our review of pledged collateral, we noted the School did not have sufficient collateral, resulting in deficient collateral of \$191,584.

Criteria: Per Section 6-10-17. NMSA 1978 if the pledged collateral for deposits in banks, savings and loan association, or credit unions, in an aggregate amount is not equal to one half of the amount of public money in each account, a finding shall appear in the audit report.

Cause: Lack of established procedures to ensure the bank has adequate pledged collateral as required on the School's behalf.

Effect: Noncompliance with state statute.

Auditor's Recommendation: We recommend that management review the pledged collateral requirement frequently and ensure the School's financial institution is aware of the statutory requirement.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

TIERRA ENCANTADA CHARTER SCHOOL (CONTINUED)

2018-002 Pledged Collateral (Other Noncompliance) (Continued)

Management's Response: Management agrees with this finding. The bank was unaware of the statutory requirement and has since been made aware. The bank has agreed to send us a pledged collateral statement each month. We have established a process in the business office of reviewing pledged collateral statements from the bank on a monthly basis. We will then inform the bank of any adjustments to the pledged collateral that may need to be made. The bank will then send us an adjusted statement reflecting the changes.

Implementation: December 31, 2018

Person Responsible: Business Manager

TURQUOISE TRAIL CHARTER SCHOOL

2018-001 Timely Submission of ERB Contributions (Other Noncompliance)

Condition/Context: During our review of the School's monthly ERB contributions, we noted 1 month in which the contribution was not filed in a timely manner and the School was assessed a late payment fee.

Criteria: ERB requires the monthly contributions to be submitted within 15 days of the end of the month.

Cause: Management oversight.

Effect: Noncompliance with ERB's contribution requirements.

Auditor's Recommendation: We recommend management establish processes and procedures to ensure timely submission of required reporting and contributions.

Management's Response: Turquoise Trail has hired a part time assistant business manager to process payroll and related liability payments. With the addition of another person who is also able to process the ERB contributions, there is now a 'backup' person who is also trained and responsible for making sure that ALL payroll liabilities are paid correctly.

Implementation: July 31, 2018

Person Responsible: Assistant Business Manager and Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

TURQUOISE TRAIL CHARTER SCHOOL (CONTINUED)

2018-002 Budgetary Conditions (Previously #2016-007) (Other Noncompliance)

Condition/Context: During our audit, we noted one expenditure function where actual expenditures exceeded the budgetary authority:

Fund 27128- Instruction \$1,260

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding, and will work toward corrective action during FY2019.

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, which the function is the legal level of control.

Cause: Management oversight.

Effect: Noncompliance with state statutes.

Auditor's Recommendation: We recommend that management establish controls necessary to monitor the budget and submit any necessary adjustments on a timely basis in order to avoid any over-expended functions.

Management's Response: Although this Fund was not overspent in total, the allocation between functions was not adjusted prior to year-end. Turquoise Trail has hired a part time assistant business manager to process payroll and related liability payments. With the addition of another person who can help relieve some of the business manager's workload, the Business Manager will be able to better monitor expenditures and provide for timely reallocation or submission of BARs.

Implementation: July 31, 2018

Person Responsible: Business Manager

2018-003 Capital Assets (Other Noncompliance)

Condition/Context: During our testing of capital assets, we identified the following exceptions:

- During our review of disbursements, we identified 2 disbursements, which totaled \$23,552 in expenditures for assets that were less than the School's capitalization threshold of \$5,000, that were incorrectly coded to account code "57331 for Fixed Assets (More Than \$5,000)", instead of account code "57332 for Supply Assets (\$5,000 or Less)".
- During our review of the School's dispositions during the fiscal year, the School properly notified and obtained approval from the school Governing Council. However, the School did not submit a written notification to the State Auditor at least 30 days prior to the disposition as required.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

TURQUOISE TRAIL CHARTER SCHOOL (CONTINUED)

2018-003 Capital Assets (Other Noncompliance) (Continued)

Criteria: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. Per NMAC 2.2.2, the State Audit rule, at least 30 days prior any disposition of property on the agency inventory list requires written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action must be sent to the state auditor.

Cause: Management oversight.

Effect: Potential misstatement of the School's financial statements, noncompliance with applicable statutes.

Auditor's Recommendation: We recommend that management establish procedures to ensure accurate account coding of all disbursements and establish a process to ensure proper notification to the State Auditor on all required dispositions.

Management's Response: The business manager was not aware that this would be an audit finding. Now that the School is aware, the Assistant Business Manager who oversees purchasing has been retrained to carefully watch the account codes related to fixed assets and the Business Manager will be more attentive to making sure the account code for fixed assets is only used if the asset is going to be capitalized.

The Operations Manager is responsible for notifying the state auditor of asset dispositions, but the Business Manager needs to notify the Operations Manager when the board approves the disposition, which did not occur in this instance.

Implementation: October 31, 2018

Person Responsible: Business Manager and Operations Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

TURQUOISE TRAIL CHARTER SCHOOL FOUNDATION

2018-001 Bank Reconciliations (Other Noncompliance)

Condition/Context: During our audit of the Foundation, we noted that the bank reconciliations for the Foundation were all prepared near year-end and lacked evidence of review and approval by someone independent of the preparer.

Criteria: The Foundation shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

Cause: During FY18, the activity of the Foundation was increased over previous years as a result of additional grant funding. As a result, management worked toward the end of FY18 to reconcile the accounts.

Effect: Possible misstatements to the financial statements, possible misappropriation of assets.

Auditor's Recommendation: We recommend that management ensure that adequate internal controls are established surrounding the activity of the Foundation.

Management's Response: We agree that the Foundation had not been providing bank statements to the Business Manager on a timely basis, and the Business Manager had not been reconciling the accounts on a timely basis. The Foundation President has contacted the bank to have the statements mailed directly to the School now. The Business Manager is striving to reconcile the Foundation's bank accounts on a more timely basis. While there was an Excel workbook that detailed the transactions which was monitored, the Foundation decided mid-year to implement Quickbooks for the Foundation and that implementation was not completed until the summer.

The Foundation's Treasurer now has access to review the transactions and balances directly in Quickbooks and the Foundation Treasurer will now approve each month's printed bank reconciliation.

Implementation: October 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

WALATOWA HIGH CHARTER SCHOOL

2018-001 Internal Control over Bank Reconciliations (Significant Deficiency)

Condition/Context: During our review of the June 2018 bank reconciliation, we noted the following issues:

- \$1,136 in outstanding deposits with dates ranging from June 2012 to October 2014.
- \$1,844 in outstanding checks with dates ranging from April 2011 to November 2015.
- The June 30, 2018 bank reconciliation provided during the audit included a variance of approximately \$23,452 when compared to the trial balance. Once the bank reconciliation was revised, we noted \$23,006 of outstanding wire transfers that were not valid reductions to cash as of June 30, 2018.

Criteria: Per NMAC 6.20.2.14, 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 applicable state and federal laws and regulations. All bank accounts shall be reconciled on a monthly basis. Per NMSA 6-10-57(A), whenever any warrant issued by the state, county, municipality, school district is unpaid for one year after it becomes payable, the fiscal officer shall cancel it.

Cause: Management oversight, lack of effective internal controls surrounding the bank reconciliation process

Effect: Noncompliance with state statutes, possible misstatements to the financial statements.

Auditor's Recommendation: We recommend that management ensure that adequate internal controls are established to ensure accurate bank reconciliations are performed monthly as required, and that all items at year-end are properly classified as outstanding items against cash accrued liabilities depending on the actual disbursement/ACH date.

Management's Response: WHCS has ensured to report adequate internal controls regarding bank reconciliations on a monthly basis. WHCS will also make sure there are no possible misstatements of the financial statements by properly classifying all outstanding items at year end.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

WALATOWA HIGH CHARTER SCHOOL (CONTINUED)

2018-002 Internal Control over Financial Reporting (Significant Deficiency)

Condition/Context: During our audit, we noted the following issues related to financial reporting:

- During our testing of 6 manual journal entries, we noted no evidence of review and approval by someone independent of the preparer on 2 of the selected journal entries.
- The School's trial balance is to be maintained on a cash basis and converted to modified accrual for preparation of the School's financial statements on an annual basis. Upon receipt of the School's trial balance, we noted various balances that should only be accrued when converting from a cash basis of accounting to modified accrual and are not to be recorded in the School's accounting system. As a result, an adjustment to the School's accounting records was required.
- The food service fund included expenditures in excess of revenues and prior year fund balance in the amount of \$34,630 and required a proposed journal entry to reclassify the excess expenditures to the operational fund.
- We noted several funds (25205, 27150, 24101, 24106, and 27107) with various positive and deficit fund balances for a net positive amount of \$970, which are all reimbursement based funds and should maintain a fund balance of \$-0-. These relate to previous year excess/deficient expenses that were not reclassified timely in the applicable year with the operational fund. The School should evaluate if permanent cash transfers need to be prepared or if funds need to be returned to the grantor if the fund has a surplus.

Criteria: Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of effective internal controls surrounding the journal entry process.

Effect: Misstatements of the School's financial statements, possible misappropriation of assets.

Auditor's Recommendation: We recommend that management ensure that adequate internal controls are established surrounding the processing of journal entries.

Management's Response: WHCS will ensure all internal controls are met accordingly with financial reports, especially processing of journal entries.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

WALATOWA HIGH CHARTER SCHOOL (CONTINUED)

2018-003 Personnel Files (Other Noncompliance)

Condition/Context: During our review of 5 personnel files, we noted the following issues:

- 2 personnel files reviewed lacked a properly completed federal I-9 form for citizenship certification.
- 1 personnel file reviewed lacked an ERB enrollment form and beneficiary designation form.

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 district 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 certification, pay deductions authorizations, pay or position change notices, Education Retirement Act plan application, and direct deposit authorization.

Cause: Lack of effective controls and procedures surrounding the personnel files.

Effect: Noncompliance with NMAC 6.20.2.18.

Auditor's Recommendation: We recommend that management establish procedures to ensure the required documentation is contained in all personnel files held by the school.

Management's Response: WHCS will ensure all required documentations are updated in all personnel files to be in compliance with NMAC 6.20.2.18.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

WALATOWA HIGH CHARTER SCHOOL (CONTINUED)

2018-004 Audit Confidentiality (Other Noncompliance)

Condition/Context: During our review of Governing Council meeting minutes in October 2017, it was noted that the School publicly discussed potential audit findings.

Criteria: Per the State Audit Rule 2.2.2.10, agency personnel and the Agency's IPA shall not release information to the public relating to the audit until the audit report is released by the Office, and has been made public record.

Cause: Management oversight.

Effect: Noncompliance with NM State Audit Rule 2.2.2.10

Auditor's Recommendation: We recommend that management and Governing Council members familiarize themselves with applicable rules and regulations in the State of New Mexico as it pertains to a charter school.

Management's Response: WHCS will ensure the WHCS Governing Board and management reviews the rules and regulations of the State of New Mexico Charter Schools Audit Rule 2.2.2.10 before publicly discussing potential audit findings.

Implementation: December 31, 2018

Person Responsible: Business Manager

2018-005 Timely Submission of ERB and RHC Contributions (Other Noncompliance)

Condition/Context: During our review of the School's monthly ERB and RHC contributions, we noted the November RHC contribution and the February ERB contribution were both submitted late and the School was assessed a late payment fee.

Criteria: Monthly contributions are to be submitted within 15 days of the end of the month.

Cause: Management oversight.

Effect: Noncompliance with the applicable contribution requirements.

Auditor's Recommendation: We recommend management establish processes and procedures to ensure timely submission of required reporting and contributions.

Management's Response: WHCS will ensure submitting monthly contributions, NMERB and NMRHC, on a timely basis to avoid late payment fees.

Implementation: December 31, 2018

Person Responsible: Business Manager

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

FINDINGS—FINANCIAL STATEMENT AUDIT

Public Education Department

2013-003 Improve Other IT General Controls (Other Matters) Repeated

Department of Vocational Rehabilitation

2014-007 Eligibility (Federal Noncompliance) Repeated

2016-006 Internal Control Structure (Noncompliance) Resolved

2016-009 Improper Disposal of Capital Assets (Other Matters and Noncompliance) Repeated

2017-001 Earmarking (Federal Noncompliance) Repeated

2017-002 Controls over Payroll (Federal Noncompliance) Resolved

Ace Leadership High School

2016-002 Chief Procurement Officer (Noncompliance) Resolved

2017-001 Cash Disbursements (Noncompliance and Other Matters) Resolved

Albuquerque Institute for Mathematics & Science

2017-001 Internal Control Structure (Noncompliance) Resolved

Albuquerque School of Excellence

2017-001 Chief Procurement Officer (Noncompliance) Resolved

2017-002 Segregation of Duties (Significant Deficiency) Resolved

Albuquerque Sign Language Academy

2017-001 Mileage Reimbursement (Noncompliance) Resolved

2017-002 Late Submission of W-2 and W-3 Forms (Noncompliance) Resolved

2017-003 Collateral Requirement (Noncompliance) Resolved

2017-004 Expenditures Exceed Budget (Noncompliance) Resolved

Aldo Leopold Charter School

2017-001 Journal Entry Approval (Material Weakness) Repeated

2017-002 Budgetary Condition (Noncompliance) Repeated

Alma D'Arte Charter High School

2017-001 Mileage Reimbursements (Noncompliance) Repeated

Amy Biehl Charter School

2017-001 Invoice Amount Exceeded Purchase Order Amount (Noncompliance) Resolved

The ASK Academy

2017-001 Timely Deposits (Noncompliance) Repeated

The ASK Academy Foundation

2016-001 Foundation Bookkeeping (Significant Deficiency) Resolved

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

Cariños de los Niños Charter School

2014-003	Unapproved Purchase Order (Significant Deficiency)	Repeated
2015-002	Lack of Supporting Documentation (Material Weakness)	Resolved
2016-001	PED Cash Report (Significant Deficiency)	Resolved
2016-004	Capital Asset Listing (Material Weakness)	Resolved
2017-001	Annual Inventory (Noncompliance)	Resolved
2017-002	Audit Committee Member (Noncompliance)	Repeated
2017-003	Expenditures Exceeded Budget (Noncompliance)	Resolved
2017-004	Timely Deposits (Noncompliance)	Repeated
2017-005	Internal Control over Fund Balances (Significant Deficiency)	Resolved

Cesar Chavez Community School

2017-001	Timely Deposits (Other Noncompliance)	Resolved
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Coral Community Charter School

2017-001	Internal Control Structure – Payroll (Other Matters)	Resolved
2017-002	Budgetary Conditions (Other Noncompliance)	Resolved

Cottonwood Classical Preparatory School

2015-001	Controls over Cash Disbursements (Noncompliance)	Repeated
2017-001	Excess of Expenditures over Budget (Noncompliance)	Resolved

Dream Diné Charter School

2016-003	Excess of Expenditures over Budget (Other Noncompliance)	Repeated
2017-001	Employee Retirement Board and Retiree Health Care Act Contributions (Other Noncompliance)	Resolved
2017-002	Payroll Documentation (Other Matters)	Resolved
2017-003	Internal Control Structure over Cash Disbursements (Significant Deficiency)	Repeated

Dzil Diti'ooi School of Empowerment, Action and Perseverance (DEAP)

2016-001	Procurement (Significant Deficiency and Other Noncompliance)	Repeated
2016-002	Excess of Expenditures over Budget (Other Noncompliance)	Repeated
2016-004	Audit Committee Structure (Other Noncompliance)	Resolved
2017-001	Education Retirement Board (ERB) and Retirement Health Care (RHC) (Other Noncompliance)	Resolved
2017-002	Budget Adjustment Requests (Other Noncompliance)	Repeated
2017-003	Timely Deposits (Other Noncompliance)	Resolved
2017-004	Background Check (Other Noncompliance)	Repeated

Estancia Valley Classical Academy

2015-002	Internal Control Structure over Payroll (Significant Deficiency and Other Noncompliance)	Resolved
2017-001	Educational Retirement Board (ERB) Contributions (Significant Deficiency and Other Noncompliance)	Resolved

Explore Academy

2016-001	Personnel Files (Other Matters)	Resolved
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**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

Great Academy

2017-001	Procurement Code (Noncompliance)	Resolved
2017-002	Segregation of Duties (Significant Deficiency)	Resolved

Health Leadership High School

2015-001	Cash Receipts (Other Noncompliance)	Repeated
2015-005	Budgetary Conditions (Other Noncompliance)	Resolved
2017-001	Internal Control Structure over Cash Disbursements (Significant Deficiency)	Resolved
2017-002	Retiree Health Care Act Contributions (Other Noncompliance)	Resolved

Horizon Academy West

2017-001	Timely Deposits (Other Noncompliance)	Resolved
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J. Paul Taylor Academy

2017-001	Journal Entry Approval (Material Weakness)	Resolved
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La Academia Dolores Huerta

2017-001	Mileage Reimbursements (Noncompliance)	Resolved
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La Promesa Early Learning Center

2014-001	Purchase Orders (Significant Deficiency)	Resolved
2015-001	Internal Control over Cash Disbursements (Significant Deficiency)	Repeated
2015-002	Travel and Per Diem (Noncompliance)	Resolved
2016-001	Internal Control Structure (Material Weakness)	Resolved
2016-003	Budgetary Condition (Noncompliance)	Resolved
2016-004	Personnel Files (Noncompliance)	Repeated
2016-005	Cash Management (Noncompliance)	Resolved
2017-001	Collateral Requirement (Noncompliance)	Resolved
2017-002	Education Retirement Board (ERB) and Retirement Health Care (RHC) (Other Noncompliance)	Resolved
2017-003	Procurement Code (Noncompliance)	Resolved

La Tierra Montessori School of the Arts and Sciences

2016-002	Travel and Per Diem (Noncompliance)	Resolved
2017-001	Personnel Files – Internal Controls (Other Matters)	Resolved

MASTERS Program

2014-002	Procurement Documentation (Control Deficiency)	Resolved
2014-003	Personnel Files (Noncompliance)	Resolved
2017-001	Timely Deposits (Noncompliance)	Resolved

McCurdy Charter School

2014-003	Cash Receipts (Other Noncompliance)	Repeated
2017-001	Budgetary Controls (Noncompliance)	Resolved
2017-002	Internal Control Structure over Payroll (Noncompliance)	Repeated
2017-003	Timely Account Reconciliations (Significant Deficiency)	Repeated

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

Media Arts Collaborative Charter School (MACCS)

2017-001 Cash Disbursements (Other Matters) Repeated

Monte Del Sol Charter School

2016-001 Expenditures Exceed Budget (Noncompliance) Resolved

2016-002 Controls over Cash Disbursements (Significant Deficiency) Repeated

2016-004 Timely Deposits (Noncompliance) Repeated

The Foundation for Monte Del Sol Charter School

2017-001 Cash Disbursements (Material Weakness) Resolved

New America Charter School

2017-001 Travel and Per Diem (Other Noncompliance) Resolved

2017-002 Segregation of Duties (Significant Deficiency) Resolved

2017-003 Retiree Health Care Contributions (Other Noncompliance) Resolved

2017-004 Budgetary Conditions (Other Noncompliance) Resolved

New Mexico Connections Academy

2017-001 Lack of Segregation of Duties (Significant Deficiency) Resolved

New Mexico School for the Arts

2017-001 Retiree Health Care Contributions (Other Noncompliance) Resolved

Red River Valley Charter School

2015-001 Chief Procurement Officer (Other Noncompliance) Repeated

2016-001 Retiree Health Care Contributions (Other Noncompliance) Resolved

2017-001 Procurement (Other Noncompliance) Resolved

2017-002 Budget Adjustment Request (Other Noncompliance) Resolved

2017-003 Lack of Internal Controls over Accounting Records
(Material Weakness) Resolved

2017-004 Internal Control Structure (Significant Deficiency) Resolved

2017-005 Travel and Per Diem (Other Noncompliance) Resolved

Roots and Wings Community School

2014-001 Timely Deposits (Noncompliance) Repeated

2015-003 Internal Control Structure over Cash Disbursements
(Significant Deficiency) Repeated

2017-001 Budgetary Conditions (Other Noncompliance) Repeated

2017-002 Account Reconciliations (Material Weakness) Resolved

2017-003 Internal Control Structure over Payroll
(Significant Deficiency and Noncompliance) Repeated

2017-004 Staff Qualifications (Noncompliance) Resolved

Sandoval Academy for Bilingual Education

2016-001 Procurement (Other Noncompliance) Repeated

2017-001 Cash Receipts (Other Matters) Repeated

2017-002 Cash Disbursements (Other Noncompliance) Resolved

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

School of Dreams Academy

2015-001	Controls over Cash Disbursements (Other Matters)	Repeated
2015-002	Expenditures Exceed Budget (Other Matters)	Repeated
2017-001	Financial Close and Reporting (Material Weakness)	Repeated
2017-002	PED Cash Report (Noncompliance and Other Matters)	Resolved
2017-003	Payroll and Personnel Files (Noncompliance)	Resolved
2017-004	Timely Deposits (Noncompliance)	Repeated
2017-005	ERB Contributions (Noncompliance)	Resolved
2017-006	Travel and Per Diem (Noncompliance)	Resolved
2017-007	Journal Entries (Noncompliance and Other Matters)	Resolved
2017-008	Bank Reconciliations (Noncompliance and Other Matters)	Resolved

The Foundation for School of Dreams Academy

2017-001	Controls over Cash Disbursements (Other Matters)	Repeated
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Six Directions Indigenous School

2017-001	Internal Control Structure (Material Weakness)	Resolved
2017-002	Chief Procurement Officer (Noncompliance)	Repeated
2017-003	Personnel Files (Noncompliance)	Resolved
2017-004	Audit Committee Member (Noncompliance)	Resolved
2017-005	Annual Inventory (Noncompliance)	Resolved

South Valley Preparatory School

2017-001	Audit Committee (Noncompliance)	Resolved
2017-002	Internal Control (Significant Deficiency)	Resolved

Southwest Aeronautics, Mathematics and Science Academy

2016-003	Controls over Cash Disbursements (Significant Deficiency)	Resolved
2016-005	Payroll (Significant Deficiency)	Resolved
2017-001	Travel and Per Diem (Noncompliance)	Resolved

Southwest Primary Learning Center

2016-004	Payroll (Significant Deficiency)	Resolved
2017-001	Internal Controls Cash Receipts (Other Matters)	Resolved

Southwest Secondary Learning Center

2016-003	Controls over Cash Disbursements (Significant Deficiency)	Resolved
2016-005	Payroll (Significant Deficiency)	Resolved

Taos Academy

2017-001	Timely Deposits (Other Noncompliance)	Resolved
2017-002	Travel and Training Policy (Other Noncompliance)	Resolved

The Foundation for Taos Academy

2017-001	Segregation of Duties for the Foundation (Significant Deficiency)	Resolved
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**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

Taos Integrated School of the Arts

2016-001	Internal Control Structure (Other Noncompliance)	Resolved
2017-001	Procurement (Other Noncompliance)	Resolved
2017-002	Background Checks (Other Noncompliance)	Resolved

Taos International Charter School

2016-001	Travel and Per Diem (Other Noncompliance)	Resolved
2017-001	Procurement Code (Other Noncompliance)	Resolved
2017-002	Budget Adjustment Request (Other Noncompliance)	Resolved
2017-003	Internal Control Structure over Payroll (Other Matters)	Resolved
2017-004	Cash Receipts (Other Matters)	Resolved
2017-005	Educational Retirement Board and Retiree Health Care Contributions (Other Noncompliance)	Resolved

Technology Leadership High School

2016-001	Procurement Code (Other Noncompliance)	Resolved
2017-001	Internal Control (Other Noncompliance)	Resolved

Tierra Adentro

2015-001	Internal Control Structure and Payroll (Significant Deficiency)	Resolved
2016-001	Excess of Expenditures over Budget (Other Noncompliance)	Resolved
2017-001	Timely Deposits (Other Noncompliance)	Repeated
2017-002	Personnel Files (Other Noncompliance)	Resolved
2017-003	Audit Committee (Other Noncompliance)	Resolved
2017-004	Budgetary Conditions (Other Noncompliance)	Resolved

Tierra Encantada Charter School

2017-001	Travel and Per Diem (Noncompliance)	Resolved
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Turquoise Trail Charter School

2016-001	Internal Controls over Payroll (Other Matters)	Resolved
2016-007	Excess of Expenditures over Budget (Other Noncompliance)	Repeated
2017-001	Disposition of Computer Equipment (Other Noncompliance)	Resolved

Walatowa High Charter School

2014-002	Background Checks (Other Matters)	Resolved
2016-002	Internal Control over Cash Disbursements (Other Matters)	Resolved
2017-001	Capital Assets (Other Matters)	Resolved
2017-002	Procurement (Internal Control Structure and Other Noncompliance)	Resolved

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
EXIT CONFERENCES
JUNE 30, 2018**

The following details the exit conferences held for the Department and each respective component unit, which includes the date and attendance of each exit conference. In addition, each exit conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor.

The following individuals were in attendance on November 20, 2018:

Public Education Department

Amelia Saiz	Acting ASD Director/CFO
David Craig	Director, School Budget Financial Analysis
Karen Woerner	Charter Schools Division
Julia Anderson	Director, Charter Schools Division
Isela Pelagro	Activing Deputy Secretary, Teaching and Learning
Marian Rael	Acting Deputy Secretary, Finance and Operations
Denise Koscielniak	Director, Comprehensive School Supports Division
Matt Goodlaw	CIO

Department of Vocational Rehabilitation

Allegra Tapia	Budget/Grant Manager, DVF
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CliftonLarsonAllen LLP

Matt Bone	Audit Engagement Principal
Laura Beltran Schmitz	Audit Engagement Director

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
EXIT CONFERENCES
JUNE 30, 2018**

Academy of Trades and Technology

The School closed as of June 30, 2018. The exit conference was included as part of the New Mexico Public Education Department exit conference.

Ace Leadership High School

The following individuals were in attendance on November 16, 2018:

Representing Ace Leadership High School:

Leslie Lujan	Business Manager
Ronda Gilliland-Lopez	Governing Board Member
David Vigil	Audit Committee Member

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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Ace Leadership High School Foundation

The following individuals were in attendance on November 15, 2018:

Representing Ace Leadership High School Foundation:

Becky Auge	Board, Treasurer
Angela Davis	External Accountant

Representing CLA:

Roger A. Lilly, CPA	Audit Engagement Senior Associate
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Albuquerque Institute for Mathematics & Science

The following individuals were in attendance on November 14, 2018:

Representing Albuquerque Institute for Mathematics & Science:

Kathy Sandoval	Director
Jolene Jaramillo	Business Manager
Steven Smith	Governing Council Member

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
EXIT CONFERENCES
JUNE 30, 2018**

Albuquerque School of Excellence

The following individuals were in attendance on November 2, 2018:

Representing Albuquerque School of Excellence:

Ebubekir Orsun	Principal
Kristi Del Curto	Assistant Principal
Rebekah Mahape	Business Manager
Michael Vigil	Contract Business Manager
Kathy Garcia	Board Member
Daniella M. Nunez	PTO President

Representing CLA:

Victor Kraft	Audit Engagement Manager
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Albuquerque Sign Language Academy

The following individuals were in attendance on November 5, 2018:

Representing Albuquerque Sign Language Academy:

Raphael Martinez	Executive Director
Jane Cavanaugh	Treasurer
Patricia Garrett	Business Manager

Representing CLA:

Victor Kraft	Audit Engagement Manager
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Aldo Leopold Charter School

The following individuals were in attendance on November 15, 2018:

Representing Aldo Leopold High School:

Wayne Sherwood	Director
Harry Browne	Business Manager
AJ Sandoval	Governing Council Chair/Audit Committee
David Peck	Governing Council Member/Audit Committee
Cheryl Head	Staff, Audit Committee
Daniel Heneghan	Staff, Audit Committee

Representing CLA:

Matt Bone	Audit Engagement Principal
Elizabeth Nunez	Audit Engagement Manager

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
EXIT CONFERENCES
JUNE 30, 2018**

Alma D'Arte Charter High School

The following individuals were in attendance on November 13, 2018:

Representing Alma d'Arte Charter High School:

Holly Schullo	Principal/CAO
Gene H. Elliott	Governing Council President

Representing CLA:

Matt Bone	Audit Engagement Principal
Elizabeth Nunez	Audit Engagement Manager

Amy Biehl Charter High School and Foundation

The following individuals were in attendance on November 5, 2018:

Representing Amy Biehl Charter High School:

Frank McCulloch	Executive Director/Principal
Lisa Tayler	Finance Director
Betty Seeley	Finance Director
Cliff Wintrode	Governing Council Treasurer
Aldis Philipbar	Advancement Coordinator for Foundation
Olivia Gutierrez	Foundation Board Treasurer

Representing CLA:

Victor Kraft	Audit Engagement Manager
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Anthony Charter School

The School closed as of June 30, 2018. The exit conference was included as part of the New Mexico Public Education Department exit conference.

ASK Academy and Foundation

The following individuals were in attendance on November 8, 2018:

Representing The ASK Academy and Foundation:

Daniel Busse	General Manager
Daniel Barbour	Assistant General Manager
Alyssa Lucero	Business Manager
Michael R. Smith	Board Director
Connie Dove Castalleja	Foundation President

Representing CLA:

Matt Bone	Audit Engagement Principal
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**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
EXIT CONFERENCES
JUNE 30, 2018**

Cariños de los Niños Charter School

The School closed as of June 30, 2018. The exit conference was included as part of the New Mexico Public Education Department exit conference.

Cesar Chavez Community School

The following individuals were in attendance on October 25, 2018:

Representing Cesar Chavez Community School:

Tani Arness	Executive Director
Katie Shelton	Business Manager
Dan Shapiro	Governing Council Member
Gayle Nissen	Community Volunteer

Representing CLA:

Mat Bone	Audit Engagement Principal
Jeff Roybal	Engagement In-Charge

Coral Community Charter School

The following individuals were in attendance on October 25, 2018:

Representing Coral Community Charter School:

Lori Bachman	Executive Director
Angie Lerner	CFO/Business Manager
Abby Lewis	General Counsel
Tania Triolo	Governing Council/Audit Committee Member
Mike Reeves	Audit Committee Member

Representing CLA:

Matt Bone	Audit Engagement Principal
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Coral Community Charter School Foundation

The following individuals were in attendance on November 8, 2018:

Representing Coral Community Charter School Foundation:

Lori Bachman	Principal
Angie Lerner	Business Manager of School
Kellan Mahoney-Chavez	Executive Director
Mitchell Biersner	Treasurer

Representing CLA:

Matt Bone	Audit Engagement Principal
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**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
EXIT CONFERENCES
JUNE 30, 2018**

Cottonwood Classical Preparatory School

The following individuals were in attendance on November 2, 2018:

Representing Cottonwood Classical Preparatory School:

Sam Obenshain	Executive Director
Rebekah Mahape	Business Manager
Michael Vigil	Business Manager
Jill P. Van Nortwick	Governing Council President
Nicholas Williams	Governing Council Treasurer

Representing CLA:

Victor Kraft	Audit Engagement Manager
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Dream Diné Charter School

The following individuals were in attendance on November 16, 2018:

Representing Dream Dine Charter School:

Tina Deschenie	Principal/Audit Committee
Charlotte Archuleta	Business Manager
Kristel White	Office Manager
Telletha Valenski	Governing Council President/Audit Committee

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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DZIL DITL'OOÍ School of Empowerment, Action and Perseverance (DEAP)

The following individuals were in attendance on November 14, 2018:

Representing Dzil Dit'ooi School of Empowerment, Action and Perseverance:

Luella Poblano	Principal
Prestene Garnenez	Director of Operations
Rebekah Mahape	Business Manager
Michael Vigil	Business Manager
Gavina Sosa	Governing Council Member
Benita Litson	Governing Council Member

Representing CLA:

Matt Bone	Audit Engagement Principal
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**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
EXIT CONFERENCES
JUNE 30, 2018**

Estancia Valley Classical Academy and Foundation

The following individuals were in attendance on November 15, 2018:

Representing Estancia Valley Classical Academy and Foundation:

Tim Thiery	Executive Director
Roger Lenard	Governing Council President
Harlan Lawson	Governing Council Vice President
Allen MacKrain	Audit Committee Member
Alisha Urquhart	Foundation Treasurer

Representing CLA:

Victor Kraft	Audit Engagement Manager
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Explore Academy

The following individuals were in attendance on November 8, 2018:

Representing Explore Academy:

Justin Baiardo	School Administrator
Ashley Wolfel	Business Manager
Ray Barton	Governing Council Member
Kelly Gwartney	Parent

Representing CLA:

Matt Bone	Audit Engagement Principal
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Gilbert L. Sena Charter High School

The following individuals were in attendance on November 14, 2018:

Representing Gilbert L. Sena Charter High School:

Nadine Torres	Executive Director
Ashley Wolfel	Business Manager
Mary Louise Sena	Board President
Tanya Otero-Villalobos	Board Vice President

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
EXIT CONFERENCES
JUNE 30, 2018**

The Great Academy and Foundation

The following individuals were in attendance on November 5, 2018:

Representing Great Academy:

Jasper Matthews	Executive Director
Charlotte Archuleta	Business Manager
Anthony Fairley	Governing Council President
Stacey Boyd	Foundation President

Representing CLA:

Victor Kraft	Audit Engagement Manager
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Health Leadership High School

The following individuals were in attendance on November 16, 2018:

Representing Health Leadership High School:

Blanca Lopez	Executive Director
David Vigil	Finance Director
Leslie Lujan	Audit Committee Member

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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Horizon Academy West

The following individuals were in attendance on November 14, 2018:

Representing Horizon Academy West:

Cynthia Carter	Director
Diana Cordova	Business Manager
Carrie Rodriguez	Board Member
Storm Gonzalez	Board Member

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
EXIT CONFERENCES
JUNE 30, 2018**

J. Paul Taylor Academy

The following individuals were in attendance on November 13, 2018:

Representing J. Paul Taylor Academy:

Christy Takaes	Executive Director
Vicki K. Chavez	Business Manager
Stephanie Haan-Amato	Governing Council Chair
Tomasa Shanbhag	Governing Council Member
Coree King	Parent

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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La Academia Dolores Huerta

The following individuals were in attendance on November 13, 2018:

Representing La Academia Dolores Huerta:

Melissa Miranda	Head Administrator
Mirna Rodriguez	Business Specialist
Robert Palacios	Governing Council Treasurer
Michael A. Sena	Governing Council Member
Michael Smith	Governing Council Member

Representing CLA:

Matt Bone	Audit Engagement Principal
Elizabeth Nunez	Audit Engagement Manager

La Promesa Early Learning Center

The following individuals were in attendance on October 26, 2018:

Representing La Promesa Early Learning Center:

Judy M. Griego	President
Chris Jones	Director
Julian Munoz	Governing Council/Audit Committee Member
Mike Vigil II	Contracted Business Manager

Representing CLA:

Matt Bone	Audit Engagement Principal
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**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
EXIT CONFERENCES
JUNE 30, 2018**

La Tierra Montessori School of the Arts and Sciences

The following individuals were in attendance on November 15, 2018:

Representing La Tierra Montessori School of the Arts and Sciences:

Christie Berg	Head Administrator
Deanna Gomez	Business Manager
Julie Ann Hill-Clapp	Government Council President/Audit Committee President

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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Las Montanas Charter High School

The following individuals were in attendance on November 12, 2018:

Representing Las Montanas Charter High School:

Caz Martinez	Director/Principal
Geri Bennett	Business Manager
Michael Davis	Board Member

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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MASTERS Program

The following individuals were in attendance on October 31, 2018:

Representing Masters Program:

Anne Salzman	Principal
Lisa Lucas	Business Manager
John Triolo	Board President
Jennifer Sanchez	Board Secretary

Representing CLA:

Matt Bone	Audit Engagement Principal
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McCurdy Charter School

The following individuals were in attendance on November 19, 2018:

Representing McCurdy Charter School:

Deborah Bennett Anderson	Chairperson
Nancy O'Bryan	Treasurer
Deanna Gomez	Business Manager

Representing CLA:

Matt Bone	Audit Engagement Principal
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**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
EXIT CONFERENCES
JUNE 30, 2018**

Media Arts Collaborative Charter School

The following individuals were in attendance on November 16, 2018:

Representing Media Arts Collaborative Charter School:

Jonathan Dooley	Principal
Patrick Kelly	Business Manager
Ryan Salway	Multimedia Teacher/Parent

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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Mission Achievement and Success Charter School

The following individuals were in attendance on November 14, 2018:

Representing Mission Achievement and Success Charter School:

JoAnn Mitchell	Principal
Amber Pena	Business Manager
Bruce E. Langston	Board Chairman

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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Monte Del Sol Charter School and Foundation

The following individuals were in attendance on November 14, 2018:

Representing Monte Del Sol Charter School and Foundation:

A. Robert Jessen	Head Learner
Michael Smith	Governing Board President
Maria Fidalgo	Business Manager

Representing CLA:

Victor Kraft	Audit Engagement Manager
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Montessori Elementary School

The following individuals were in attendance on November 2, 2018:

Representing Montessori Elementary School:

Mary Jane Besante	Director
Stan Albrycht	Business Manager
Jeffrey A. Li	Community Member/Audit Committee Member

Representing CLA:

Victor Kraft	Audit Engagement Manager
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**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
EXIT CONFERENCES
JUNE 30, 2018**

New America School

The following individuals were in attendance on November 16, 2018:

Representing New America School:

Latricia Mathis	Principal
Juan R. Vigil	President
Mike Vigil II	Business Manager
Charlotte Archuleta	Treasurer

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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New America School of Las Cruces

The following individuals were in attendance on November 13, 2018:

Representing New America School of Las Cruces:

Margarita Porter	Principal
Veronica Gonzalez	Assistant Business Manager
Jennifer Kozlowski	Board Member

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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New Mexico Connections Academy

The following individuals were in attendance on November 15, 2018:

Representing New Mexico Connections Academy:

Elisa Bohannon	Principal
Michael Vigil	Business Manager
Alyssa Lucero	Business Manager
Jerry Schalow	Board Treasurer

Representing CLA:

Victor Kraft	Audit Engagement Manager
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**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
EXIT CONFERENCES
JUNE 30, 2018**

New Mexico School for the Arts

The following individuals were in attendance on November 14, 2018:

Representing New Mexico School for the Arts:

Eric Crites	Head of School
Elizabeth Romero	Business Manager
Greg Hunt	Governing Council Treasurer

Representing CLA:

Matt Bone	Audit Engagement Principal
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North Valley Academy

The following individuals were in attendance on October 26, 2018:

Representing North Valley Academy:

Susan McConnell	Principal
Sarah Pina	Business Manager
Judy Bergs	Audit Committee Member
Gayle Edward	Audit Committee Member
Claudia Zamora	Audit Committee Member
Brian Wilkening	Audit Committee Member
Amanda Catanzano	Parent

Representing CLA:

Matt Bone	Audit Engagement Principal
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Red River Valley Charter School

The following individuals were in attendance on November 2, 2018:

Representing Red River Valley Charter School:

Courtney Henderson	President
Heather Larson	Treasurer
Zach Kirchgessner	Business Manager
Tonya Lewis	Parent

Representing CLA:

Victor Kraft	Audit Engagement Manager
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**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
EXIT CONFERENCES
JUNE 30, 2018**

Roots and Wings Community School

The following individuals were in attendance on November 15, 2018:

Representing Roots and Wings Community School:

Mark Richert	Director
Sarah Pina	Business Manager
Erica Lannon	Governing Council Member

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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Sandoval Academy for Bilingual Education

The following individuals were in attendance on November 14, 2018:

Representing Sandoval Academy for Bilingual Education:

Jackie Rodriguez	Director/Principal
Ashley Wolfel	Business Manager
Mario X. Martinez	Community Member

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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School of Dreams Academy and School of Dreams Educational Foundation

The following individuals were in attendance on November 19, 2018:

Representing School of Dreams Academy and School of Dreams Educational Foundation:

Michael S. Ogas	Superintendent
Donna Jarvis	Business Manager
Leigh Van Gilst	CPA
Kathy Chavez	Governing Council Member

Representing CLA:

Matt Bone	Audit Engagement Principal
Elizabeth Nunez	Audit Engagement Manager

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Six Directions Indigenous School

The following individuals were in attendance on October 26, 2018:

Representing Six Directions Indigenous School:

Amber Pena	Business Manager
Tamara Pfeifer	Governing Council Member
Cheryl Livingston	Parent

Representing CLA:

Matt Bone	Audit Engagement Principal
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South Valley Preparatory School

The following individuals were in attendance on November 16, 2018:

Representing South Valley Preparatory School:

Charlotte Alderete-Trujillo	Executive Director
Alfred Martinez	Business Manager
Norman Colter	Audit Committee Member
Andrew Cavalier	Audit Committee Member

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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Southwest Aeronautics, Mathematics and Science Academy

The following individuals were in attendance on November 11, 2018:

Representing Southwest Aeronautics, Mathematics and Science Academy:

Coreen Carrillo	Principal
Ronda Joyce	Business Manager
Alice Chavez	Assistant Business Manager
Larry Kennedy	Governing Council Member
LyDawn Blount	Audit Committee Member
Scott Peck	Audit Committee Member

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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Southwest Preparatory Learning Center

The following individuals were in attendance on November 14, 2018:

Representing Southwest Preparatory Learning Center:

Robert Pasztor	Head Administrator
Maria Eugenia Reyes de Foster	Site Business Manager
Justine Vigil	Business Manager
Aaron Redd	Governing Council President

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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Southwest Secondary Learning Center

The following individuals were in attendance on November 14, 2018:

Representing Southwest Secondary Learning Center

Christine Lutz	Head Administrator
Walter Feldman	Assistant Principal
Justine Vigil	Business Manager
Savannah Lopez	Executive Assistant/HR Specialist
Heather Riley	Office Clerk
Laura Sanders	Governing Council Secretary
Michael Hamel	Governing Council Member
Steve Sanders	Audit Committee Member

Representing CLA:

Elizabeth Nunez	Audit Engagement Manager
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Taos Academy Charter School

The following individuals were in attendance on November 14, 2018:

Representing Taos Academy Charter School:

Traci Filiss	Head Administrator
Deanna Gomez	Business Manager
Don Bush	Community Member

Representing CLA:

Matt Bone	Audit Engagement Principal
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Taos Integrated School of the Arts

The following individuals were in attendance on November 16, 2018:

Representing Taos Integrated School of the Arts:

Richard Greywolf	Principal
Deanna Gomez	Business Manager
Julee LaMure	Governing Council President/Audit Committee
Pennie Herrera-Wardlow	Audit Committee/Board Member
Sadie Acedo	Parent Member
Mary Emory	Community Member

Representing CLA:

Matt Bone	Audit Engagement Principal
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Taos International Charter School

The following individuals were in attendance on November 9, 2018:

Representing Taos International Charter School:

Nadine Vigil	Principal
Alyssa Lucero	Business Manager
Carla Romero	Governing Council President
Anna Parraz-Romero	Governing Council Secretary
Doama Solorzano	Community Finance Chair

Representing CLA:

Matt Bone	Audit Engagement Principal
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Technology Leadership High School

The following individuals were in attendance on October 26, 2018:

Representing Technology Leadership High School:

Kara Cortazzo	Principal
Yolanda Tafoya	Business Manager
Al Hernandez	Board President
John Mierzwa	Board Member

Representing CLA:

Matt Bone	Audit Engagement Principal
Jeff Roybal	Audit Senior Associate

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Tierra Adentro

The following individuals were in attendance on October 26, 2018:

Representing Tierra Adentro:

Veronica Torres	Co-Director
Amber Pena	Business Manager
Sandy Martinez	Governing Council President
Theresa Archuleta	Parent

Representing CLA:

Matt Bone	Audit Engagement Principal
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Tierra Encantada Charter School

The following individuals were in attendance on October 31, 2018:

Representing Tierra Encantada Charter School:

Danny Pena	Director
Steve Alarid	Business Manager
Teresa Martinez	Business Office Support
Alfred Martinez	Finance Committee Member
Melanie Gonzales	Governing Board Member
Jeremy Turner	Parent Member

Representing CLA:

Matt Bone	Audit Engagement Principal
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Turquoise Trail Charter School

The following individuals were in attendance on October 18, 2018:

Representing Turquoise Trail Charter School and Foundation:

Floyd J. Trujillo	President
Ray Griffin	Head Administrator
Jenny Chrysler	Business Manager
Miranda Mascarenas	Audit Committee Member
Martin Dryden	Parent

Representing CLA:

Matt Bone	Audit Engagement Principal
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Walatowa High Charter School

The following individuals were in attendance on November 8, 2018:

Representing Walatowa High Charter School:

Dr. Arrow Wilkinson	Executive Director
Katherine Toya	Business Manager
Stuart Gachupin	Board Member

Representing CLA:

Matt Bone	Audit Engagement Principal
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PREPARATION OF FINANCIAL STATEMENTS

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. Management reviewed and approved the financial statements.