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## Part A: Preliminary Data Report and Current Charter Contract Terms

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# 21<sup>st</sup> Century Public Academy

updated January 31, 2020

*Charts with additional data are marked with  .*

**School Address:** 4300 Cutler Ave NE, Albuquerque, NM 87110

**Head Administrator:** Mary Tarango

**Authorized Grade Levels:** 5-8

**Mission:** It is the mission of 21st Century Public Academy to continually search for positive learning experiences that enrich students and staff. Whenever possible, these lessons will take place through Outside School Instruction (OSI's) in the arena in which they are practiced to support the connections between the community and stellar academics.

## SECTION 1. ACADEMIC PERFORMANCE

State and federal statute mandates accountability for all public schools. In 2011, New Mexico lawmakers enacted requirements that schools demonstrate progress through a grading system similar to that applied to students, A-B-C-D-F. The statute required the governing body of a charter school rated D or F to prioritize its resources toward proven programs and methods linked to improved student achievement until the public school earns a grade of C or better for two consecutive years.

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

Each school in New Mexico has been included in one of two School Grading systems, either for elementary/middle schools or high schools. Although total possible points for either scheme add up to 100 in which points earned determine a school's letter grade, the two grading systems have different point allocations and components. *Charter schools are held to the same standards and calculations as regular public schools.* In addition, schools could earn up to five additional or *bonus* points for reducing truancy, promoting extracurricular activities, engaging families, and using technology. The School Grading Report Card also provided school leaders with information comparing their school to schools with similar student demographic characteristics.

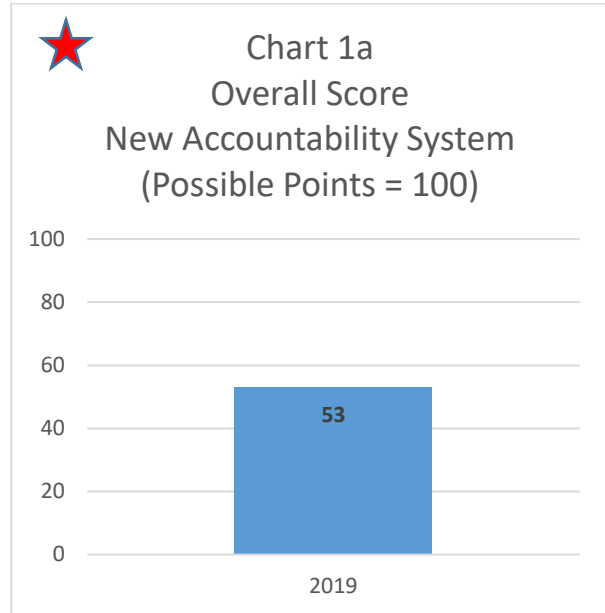
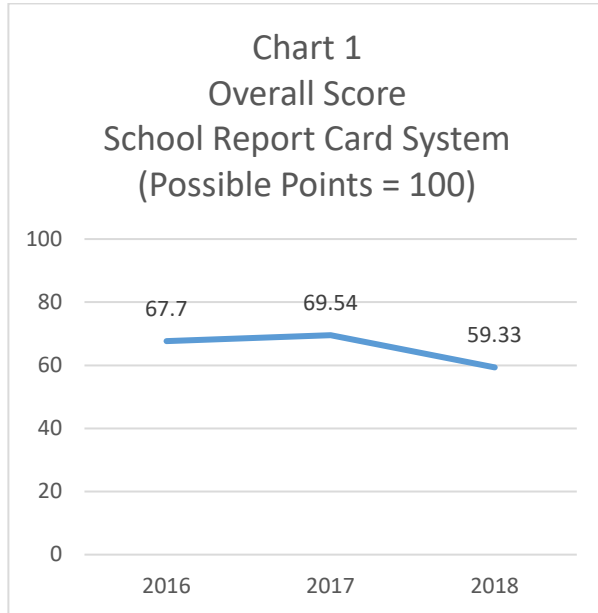
**In 2019, New Mexico Public Education Department repealed the A-F School Grading legislation and replaced it with the New Mexico System of School Support and Accountability.**

The following pages provide a snapshot of the school's academic performance, including analysis towards meeting the Department's Standards of Excellence for school years 2015-2016, 2016-2017, and 2017-2018 (under the A-F Grading System). Please note that the data was pulled directly from School Report Cards.

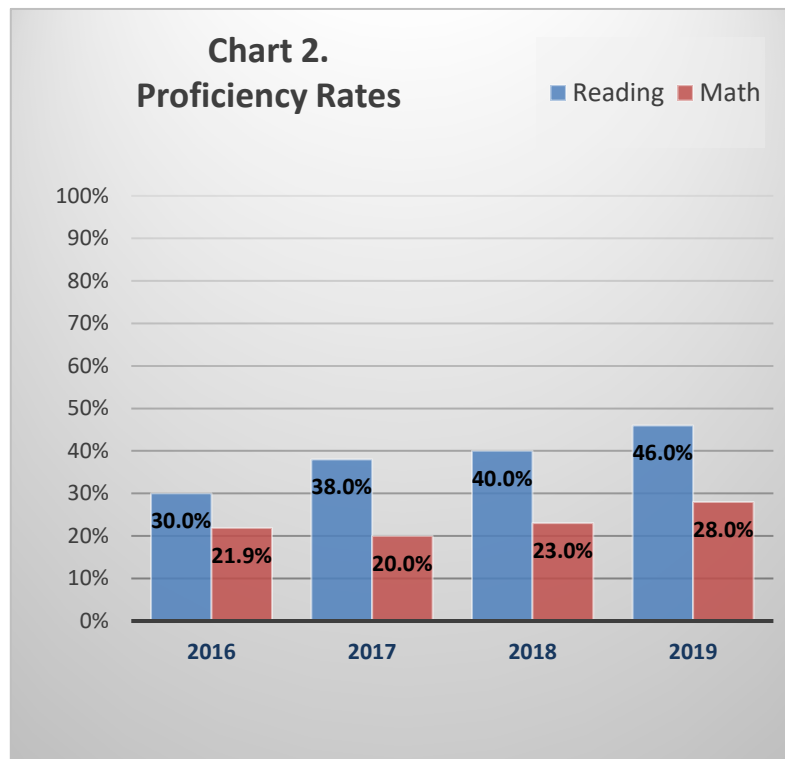
For 2019, since the NM System of School Support and Accountability Reports are not yet released, the data provided consists of all publicly available proficiency percentages.

1a. Department's Standards of Excellence

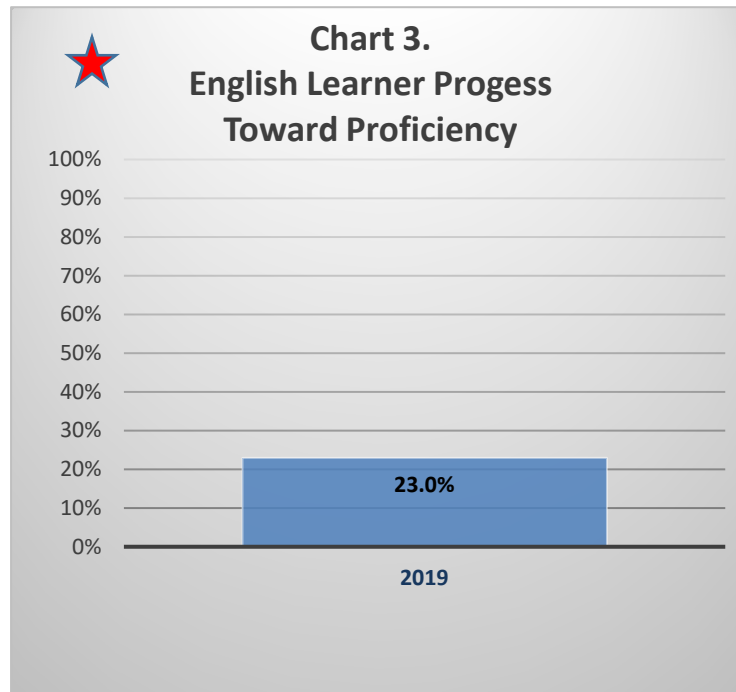
**Overall Standing:** Charts 1 and 1a illustrate the school's overall score (out of 100 possible points) in each of the last 4 years (FY2016-FY2019).



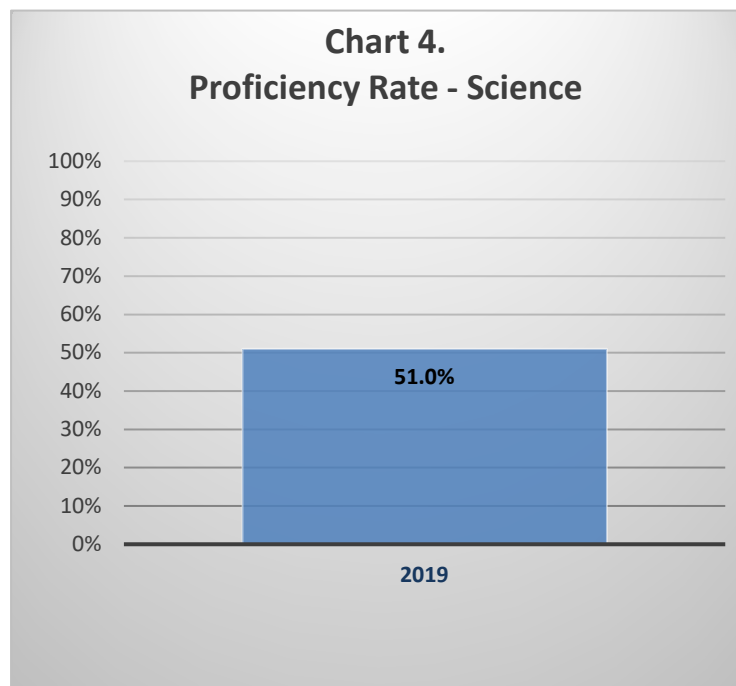
**Proficiency Rates:** Chart 2 shows the school's proficiency rates in **reading and math** during the four (4) year period.



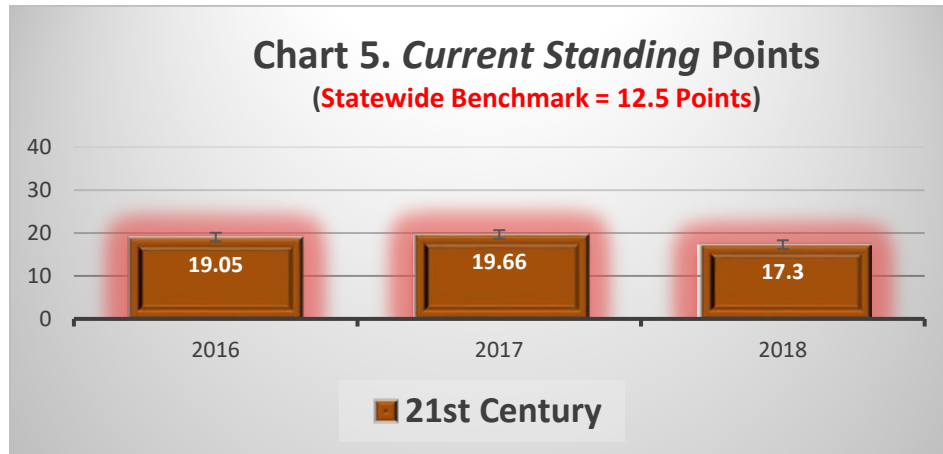
**English Learner Progress Toward English Language Proficiency:** This indicator was added in 2019 and is measured by the WIDA ACCESS assessment given annually to students identified as English Learners.



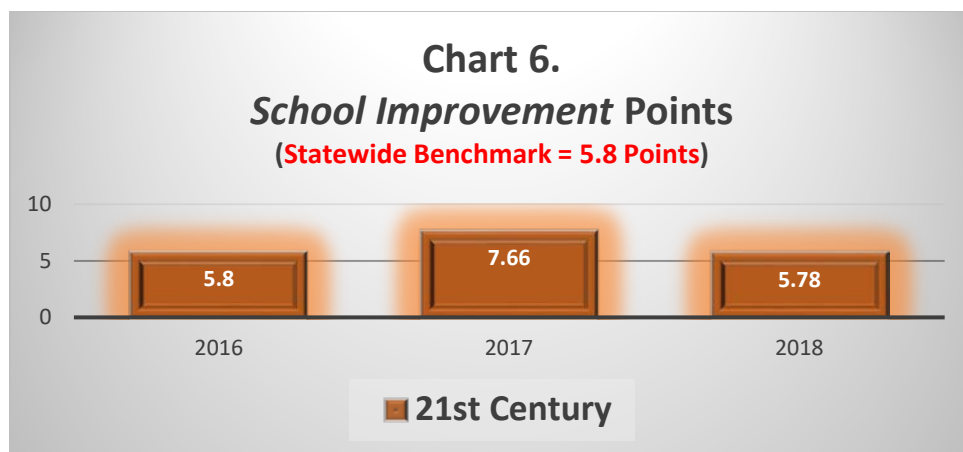
**Science Proficiency:** This indicator was added in 2019 and Chart 4 indicates the percentage of students who scored at the proficient level on state assessments in science.



**Current Standing:** Current standing measures both grade level proficiency and student performance, in comparison to expected performance, based on statewide peer performance. The statewide benchmark (established in 2012) was 12.5 points. The school's results for three years are provided in Chart 5. **This measure is not available for 2018-2019.**

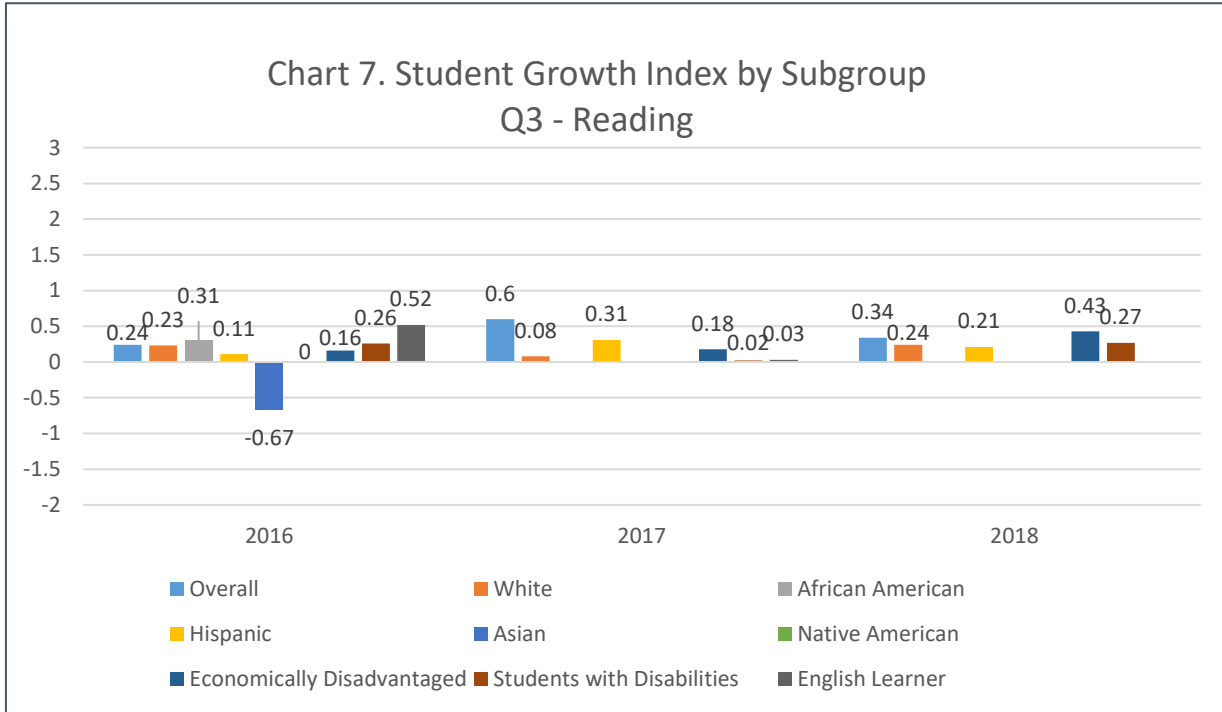


**School Improvement:** The *school growth/improvement* performance on the School Report compares overall student performance from year to year. Growth can be positive or negative. When it is positive, school performance is better than expected when compared to others schools with the same size, mobility, and prior student performance. Chart 6 shows the school's performance for three years. **This measure is not available for 2018-2019.**



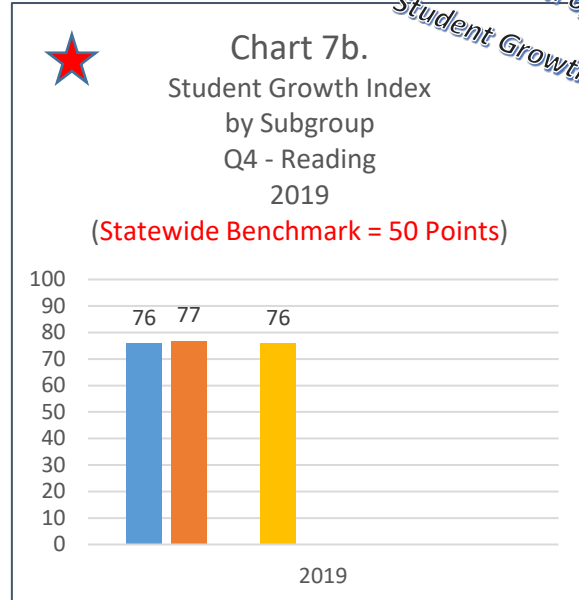
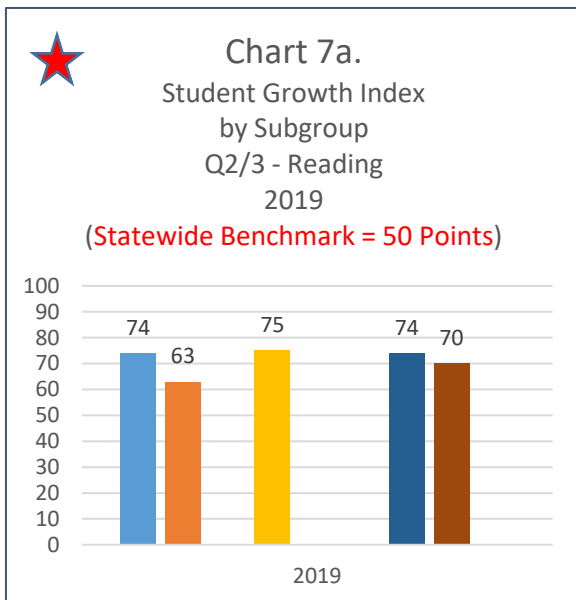
**Subgroup – Higher-Performing Students in Reading**

**SY2016 - SY2018 Q3 Higher-Performing Students (top 75%).** This indicator evaluates changes in comparative performance for the school’s higher-performing students (top 75%) for 2015-2016, 2016-2017, and 2017-2018. A growth index of zero (0) indicates expected growth; a positive number is greater than expected and a negative number is less than expected. **Please note that Q3 was changed to Q2/3 (middle) and Q4 (highest) in 2018-2019.**



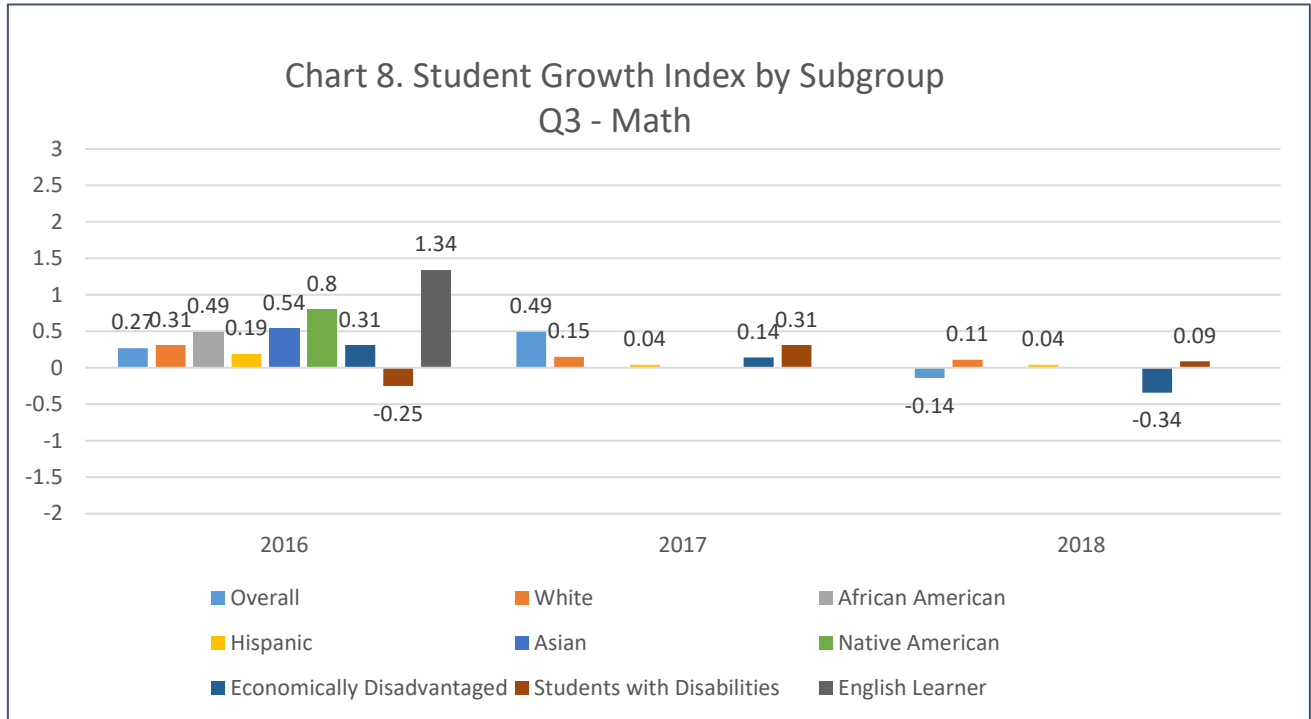
**SY2019 Q2/3 Middle-Performing (middle 50%) and Q4 Highest-Performing (top 25%)**  
 Charts 7a and 7b are reserved for the 2019 data for Q2/3 and Q4 in Reading.

*Designation of Excellence in Student Growth in Reading*



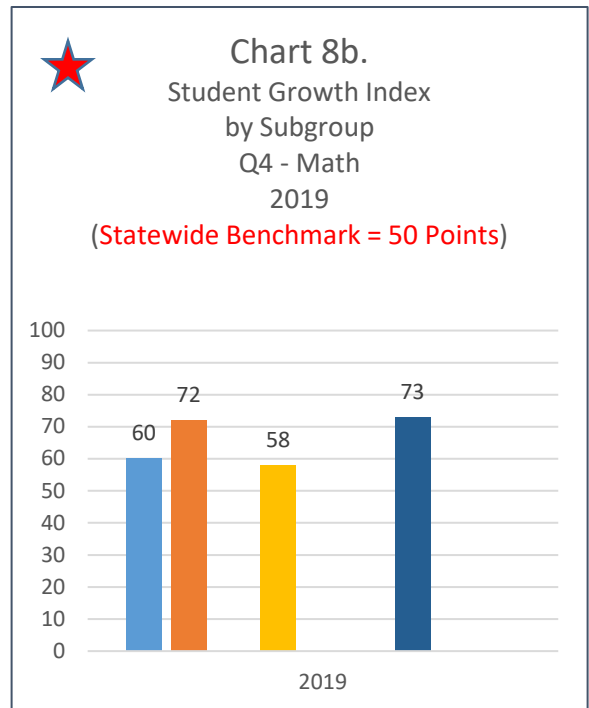
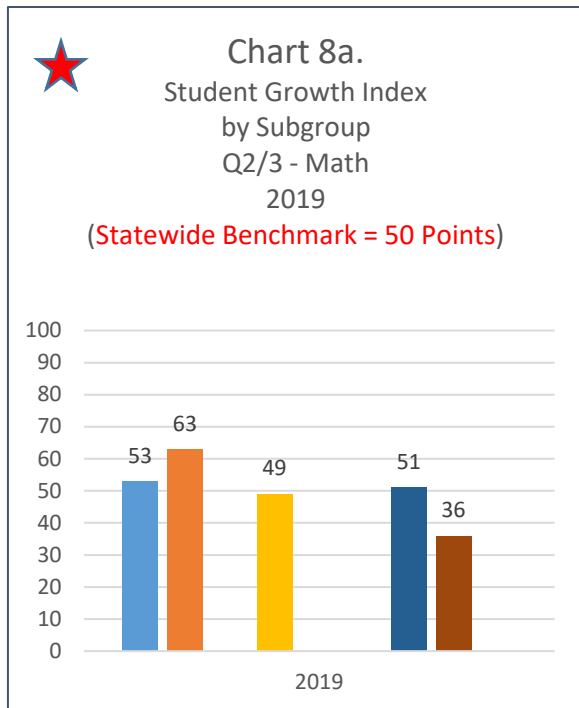
**Subgroup – Higher-Performing Students in Math**

**SY2016 - SY2018 Q3 Higher-Performing Students (top 75%)**



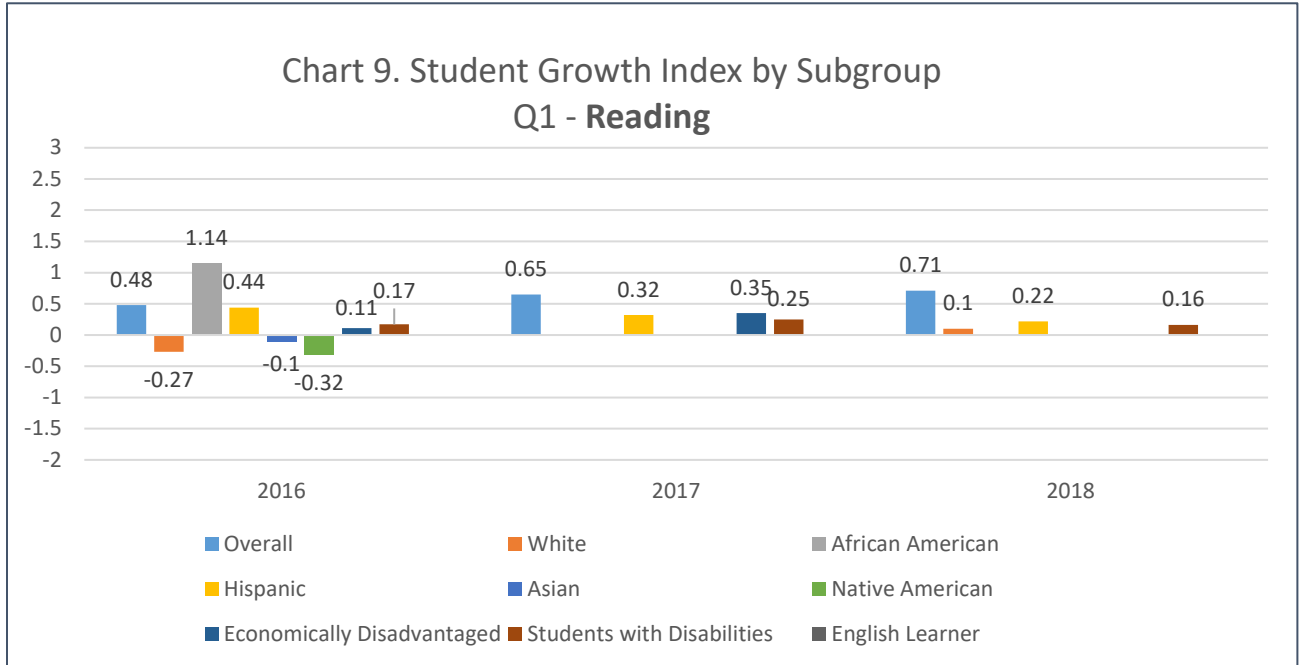
**SY2019 Q2/3 Middle-Performing (middle 50%) and Q4 Highest-Performing (top 25%)**

Charts 8a and 8b are reserved for the 2019 data for Q2/3 and Q4 in Math.

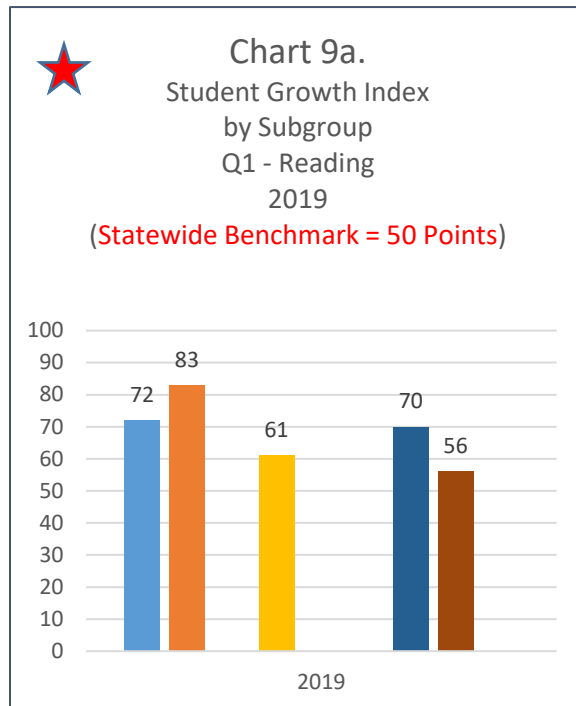


**Subgroup – Lowest-Performing Students in Reading**

**Q1 Lowest-Performing Students (Q1).** In Q1 student growth, the indicator evaluates changes in comparative performance for the school’s lowest-performing students (lowest 25%).

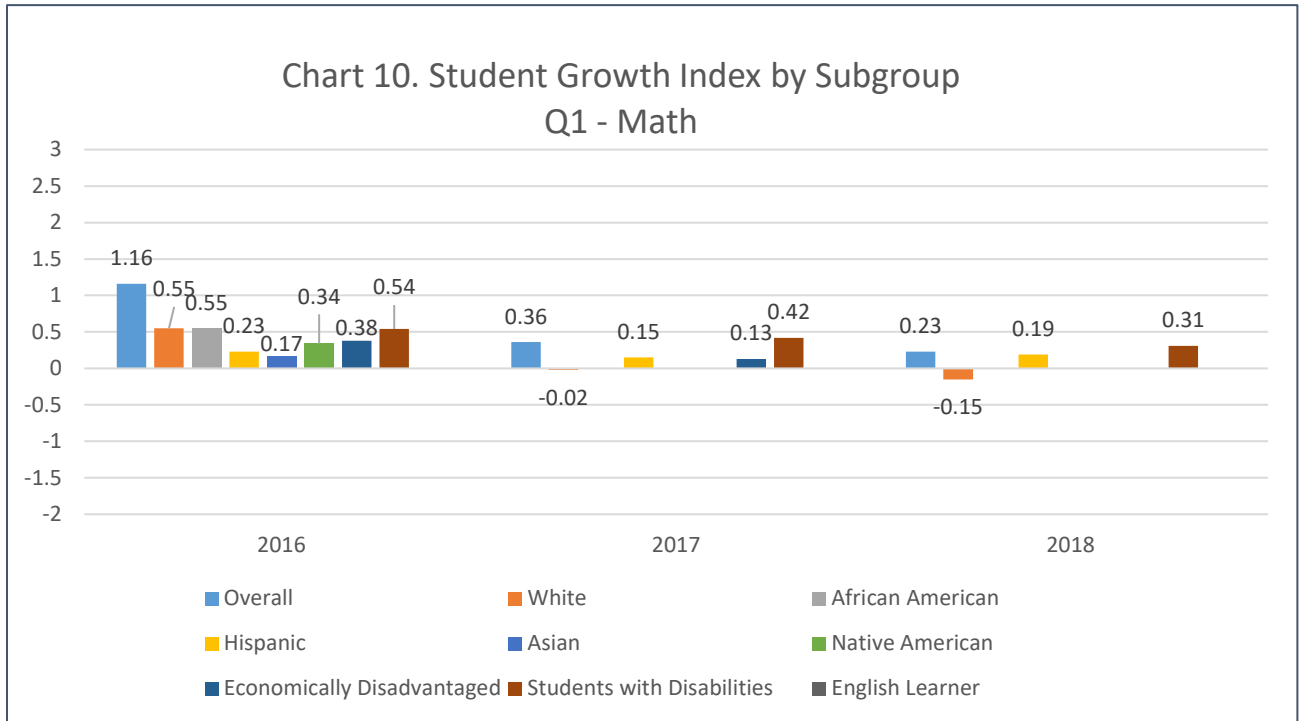


**SY2019 Q1 Lowest-Performing Students in Reading**

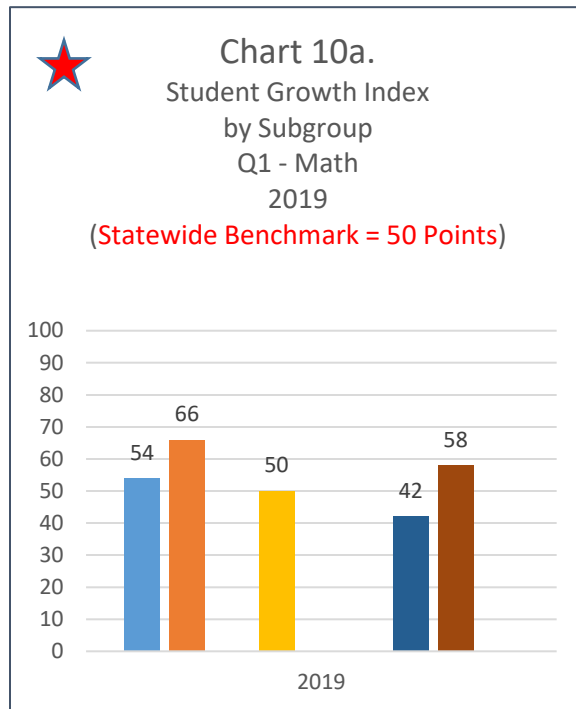




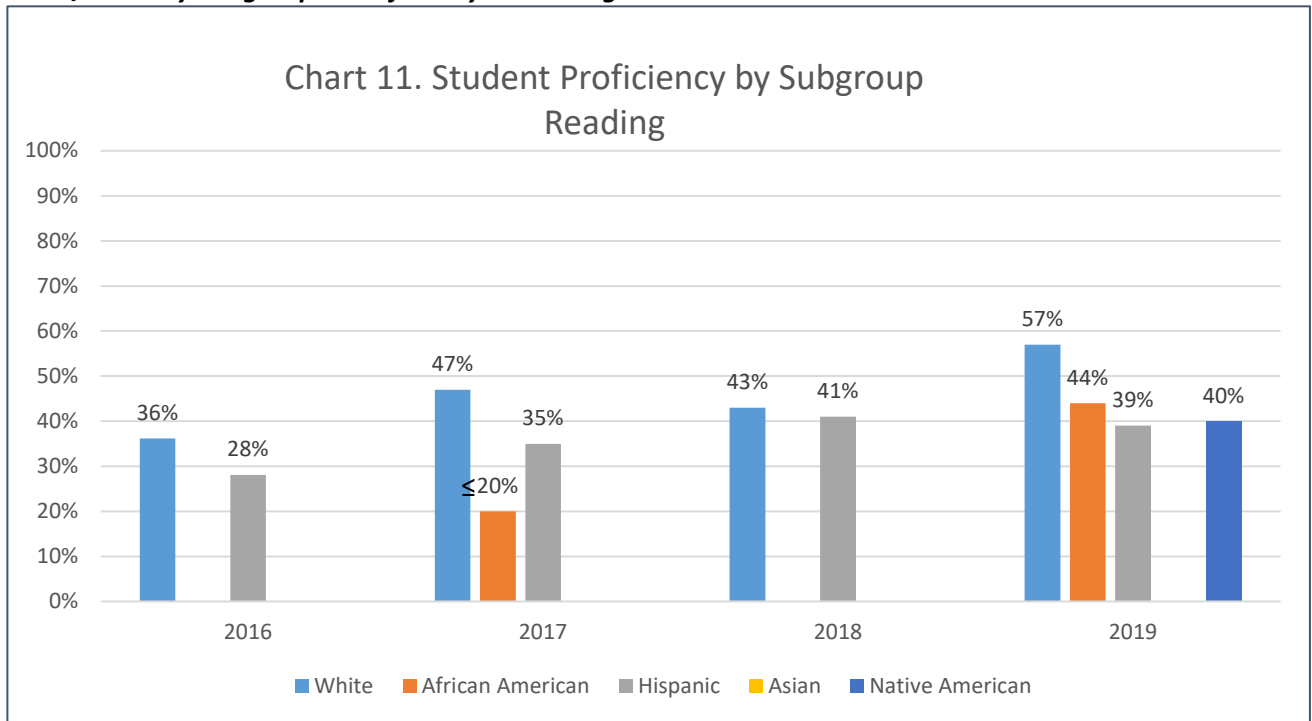
**Subgroup – Lowest-Performing Students in Math**



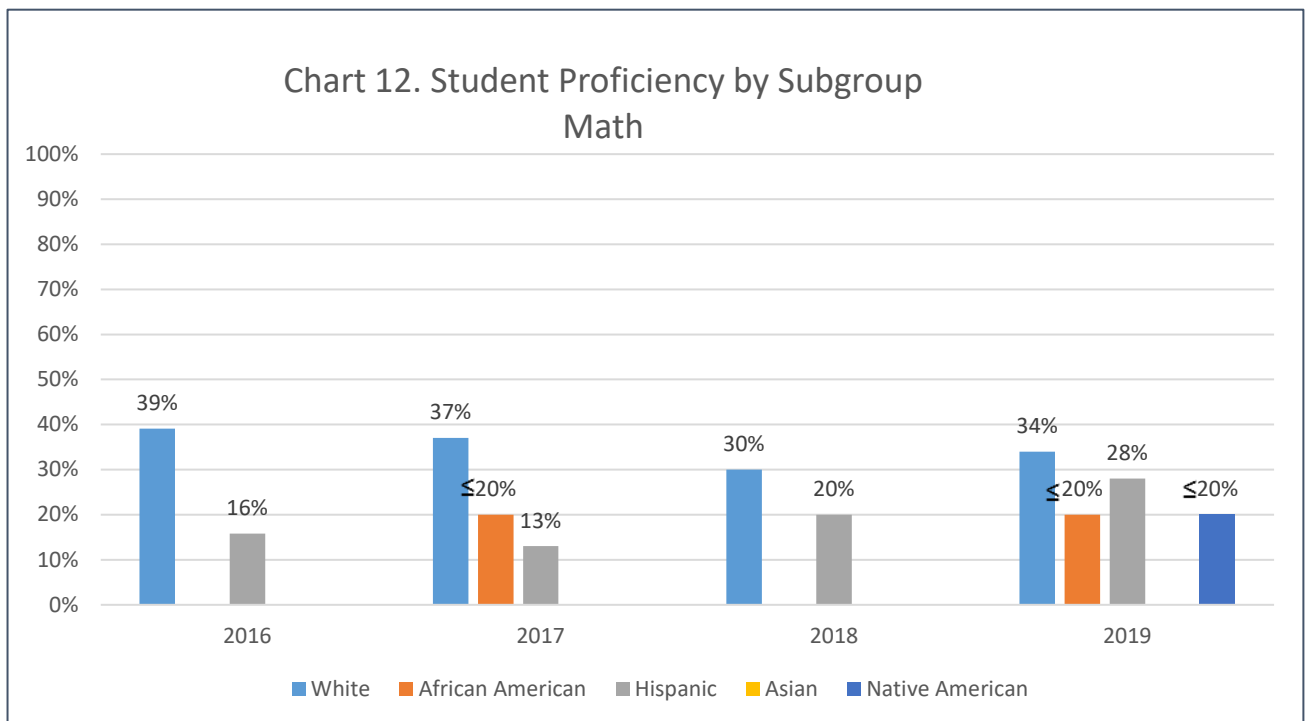
**SY2019 Q1 Lowest-Performing Students**



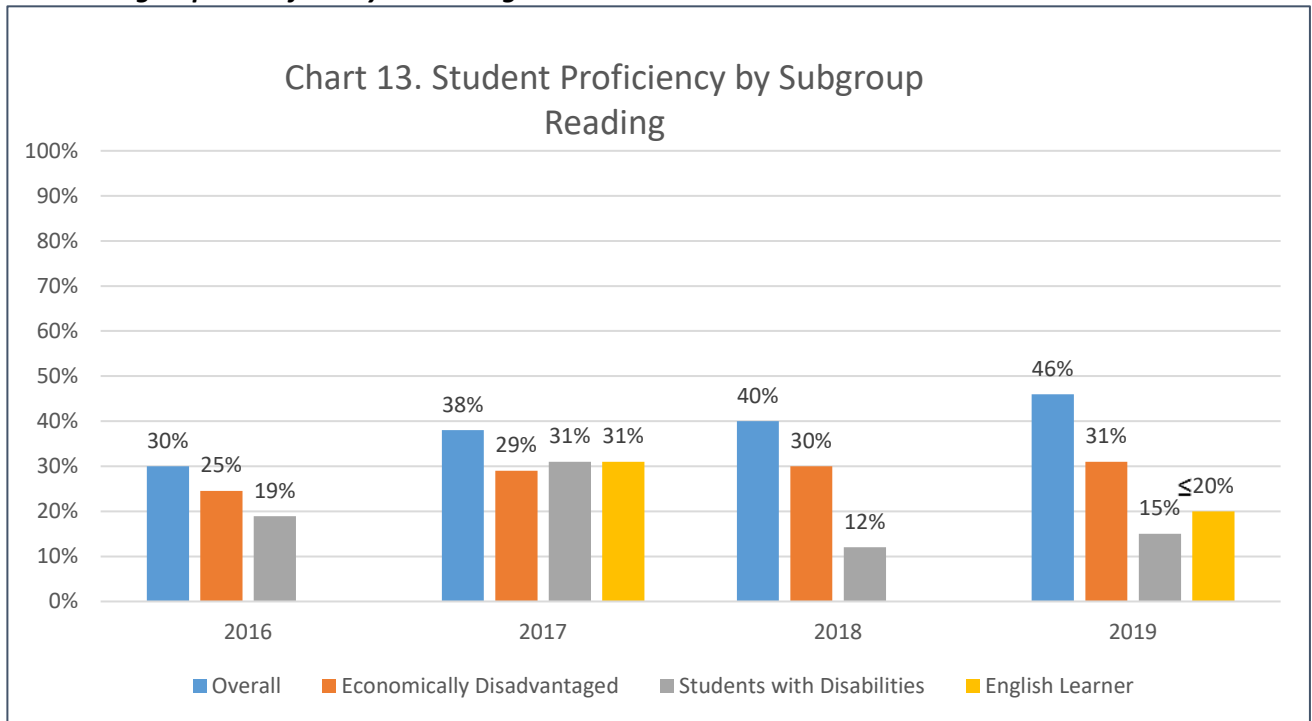
**Race/Ethnicity Subgroups - Proficiency in Reading**



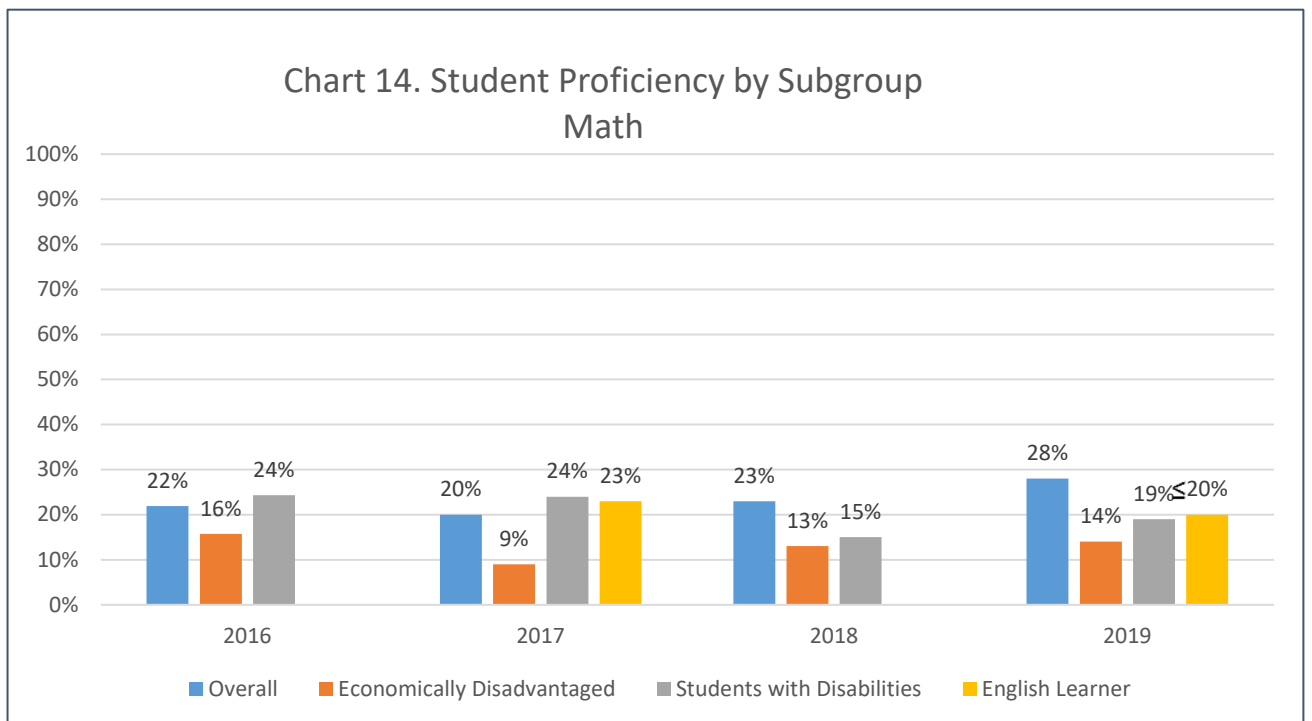
**Race/Ethnicity Subgroups - Proficiency in Math**



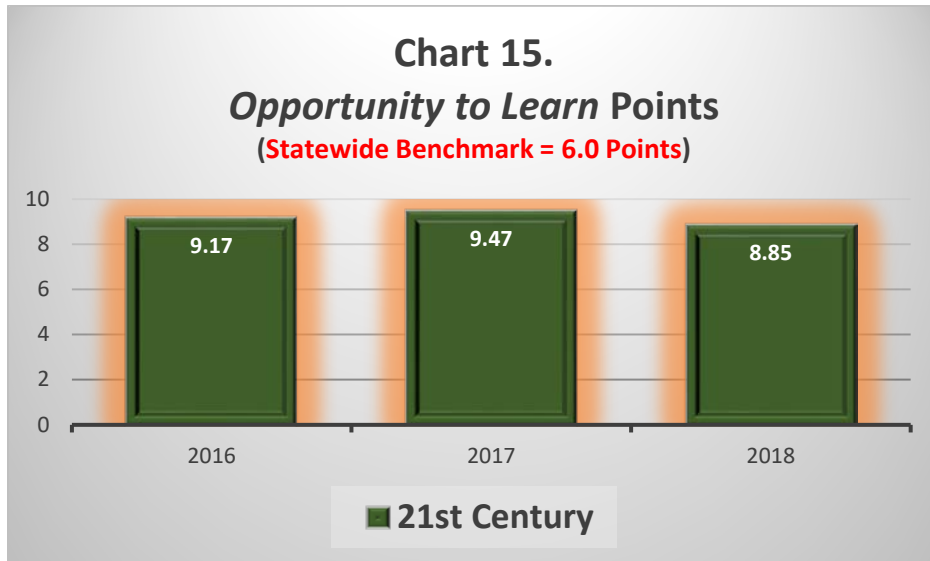
**Other Subgroups - Proficiency in Reading**



**Other Subgroups - Proficiency in Math**



**Opportunity to Learn (OTL):** Opportunity to learn represents the quality of learning environment schools provide. This indicator is based on attendance and classroom surveys administered to students (or parents in grades K-2). High schools can earn 8 total points (3 for attendance, 5 for the survey). The target for attendance is 95%. Only attendance was assessed in 2016 and scores were not assigned that year. The 2019 NM System of School Support and Accountability used the same Opportunity to Learn Survey. However, this indicator will be changed to the “Educational Climate Survey, Multicultural Initiatives, and Socio-Emotional Learning” in future years.



1b. Specific Charter Goals

This section contains a summary of the school’s progress towards meeting its Specific Charter Goals or Mission-Specific Indicators.

### Charter Specific Goals

1. Minimum of 18 OSI (out of school instructions events) per grade level to increase proficiency by 10% in reading, math, language usage, and science  
**Rating for SY19: Does not Meet**
2. Ability grouping for RTI in math and language arts; increase proficiency to 100%  
**Rating for SY19: Does Not Meet**
3. Short cycle assessment growth in reading and math; included in principal’s evaluation  
**Rating for SY19: Meets**
4. Special Education Inclusion and growth from one tier to the next  
**Rating for SY19: Meets**
5. 25% decrease in critical incident reports via student/parent/school compacts  
**Rating for SY19: Does Not Meet**

Figure 2. Progress towards Charter Specific Goals.<sup>1\*</sup>

	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5
<b>2016</b>	Meets	No goal	Does Not Meet	Meets	Meets
<b>2017</b>	Meets	Meets	Meets	Meets	Meets
<b>2018</b>	Meets	Meets	Meets	Meets	Meets
<b>2019</b>	Does Not Meet	Does Not Meet	Meets	Meets	Does Not Meet

*\*Please note that the local authorizer, Albuquerque Pubic Schools, negotiated new goals with the school several times. The chart above reflects the school’s ratings each year, but the goals were different than those in SY19.*

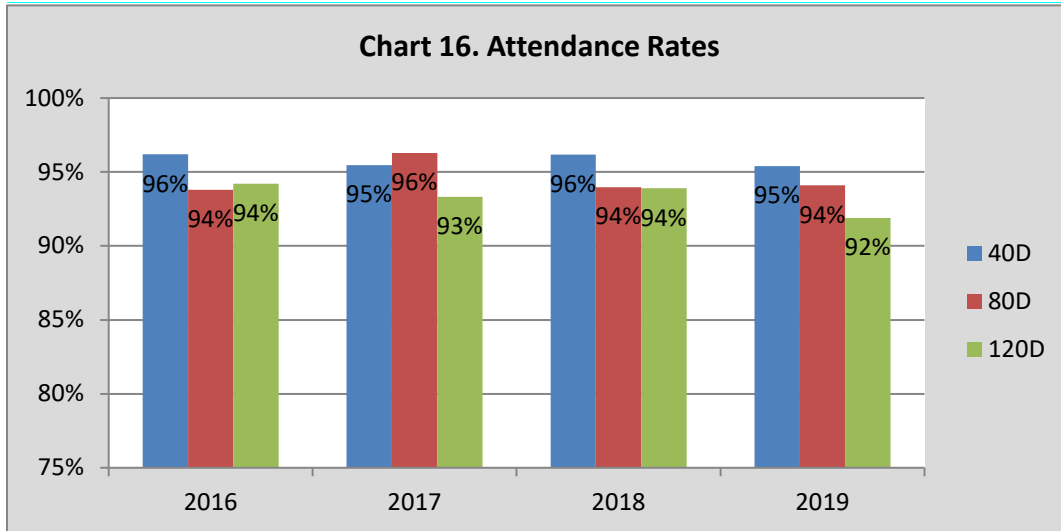
<sup>1</sup> Charter Specific Goals are referred to as “Mission-Specific Indicators” or “Performance Indicators” in the school’s contract and performance framework.

1c. Student Attendance and Enrollment

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

**Attendance Rate (The statewide target is 95% or better.)**

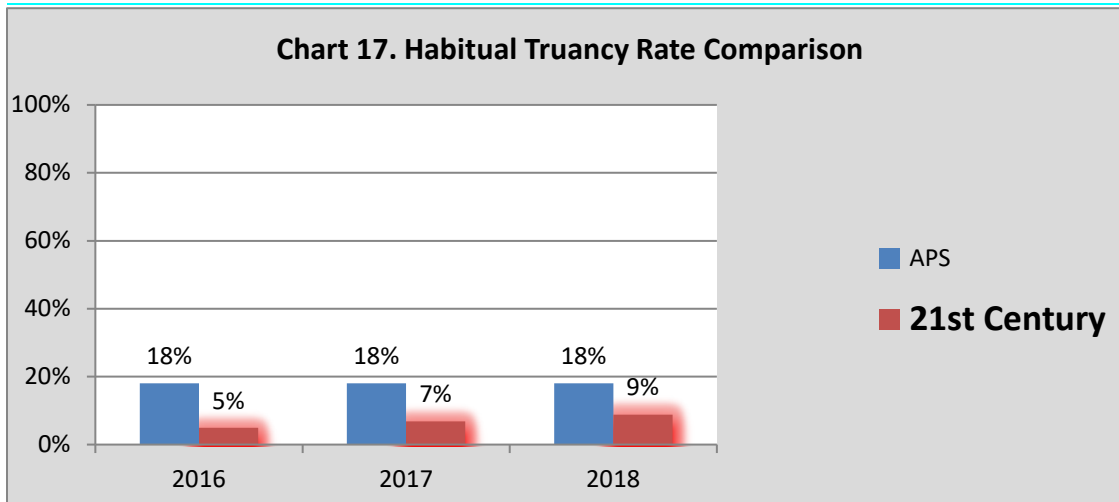
Source: STARS → District and Location Reports > Template Verification Reports > Student > Student Summary Attendance Verification



**Habitual Truancy (The statewide target is 2% or less.)**

Chart 17 reflects the school's habitual truancy rate compared to the local district.

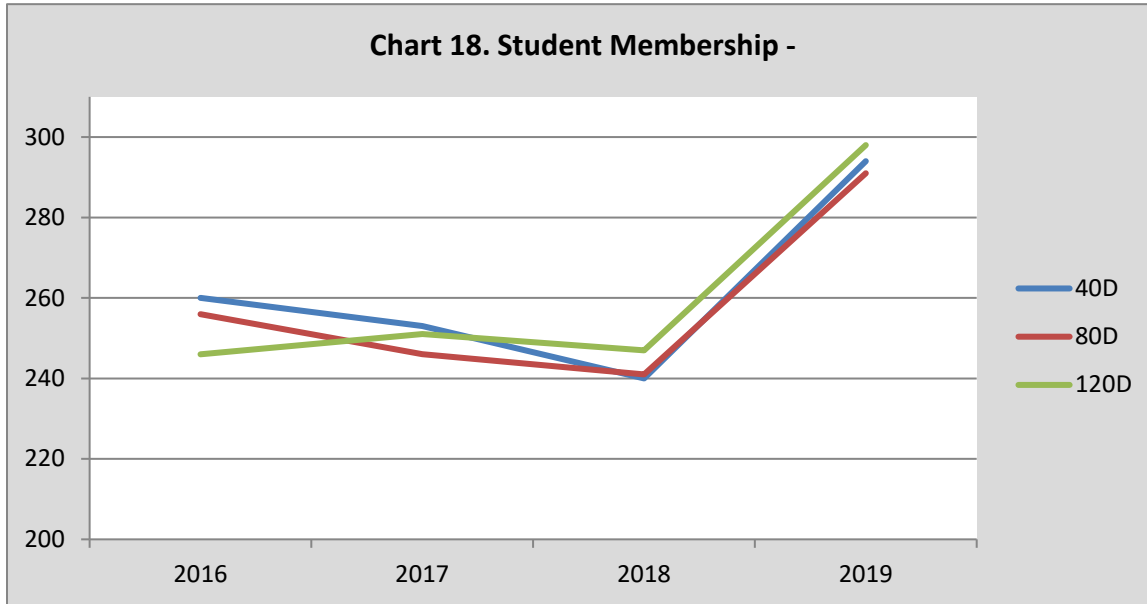
Source: STARS → District and Location Reports → Mobility and Truancy → Habitual Truant Student Totals by District and School



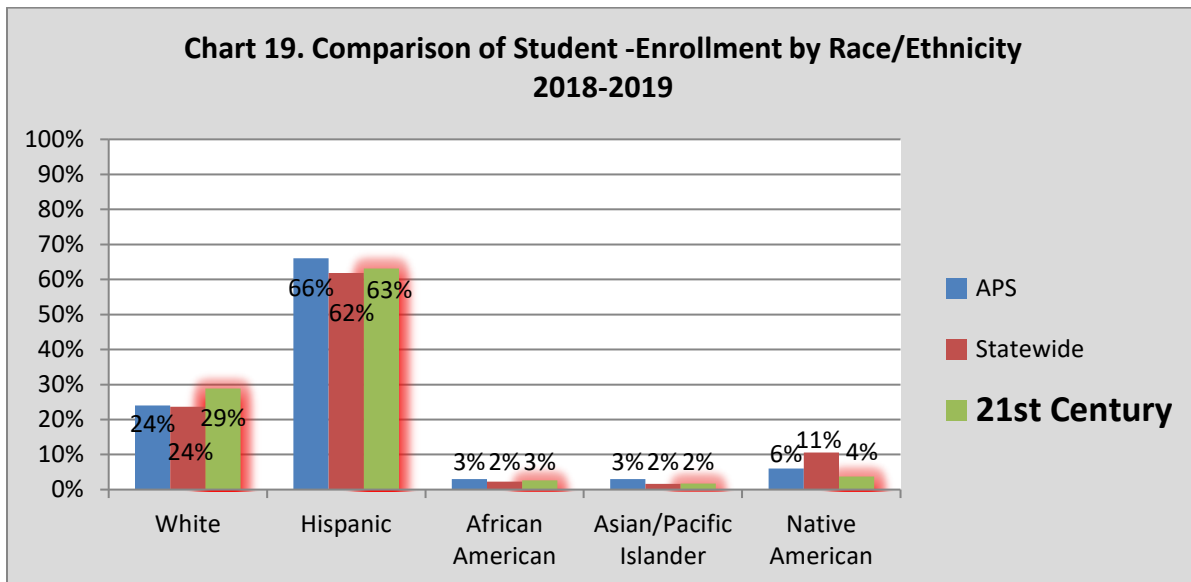
**Student Membership (Enrollment)**

The chart below shows the school’s student membership for each of the years in operation during the contract term, at each of the reporting windows (40 day, 80 day, and 120 day).

Source: STARS → District and Location Reports → Membership Reports → Membership – District Detail Report

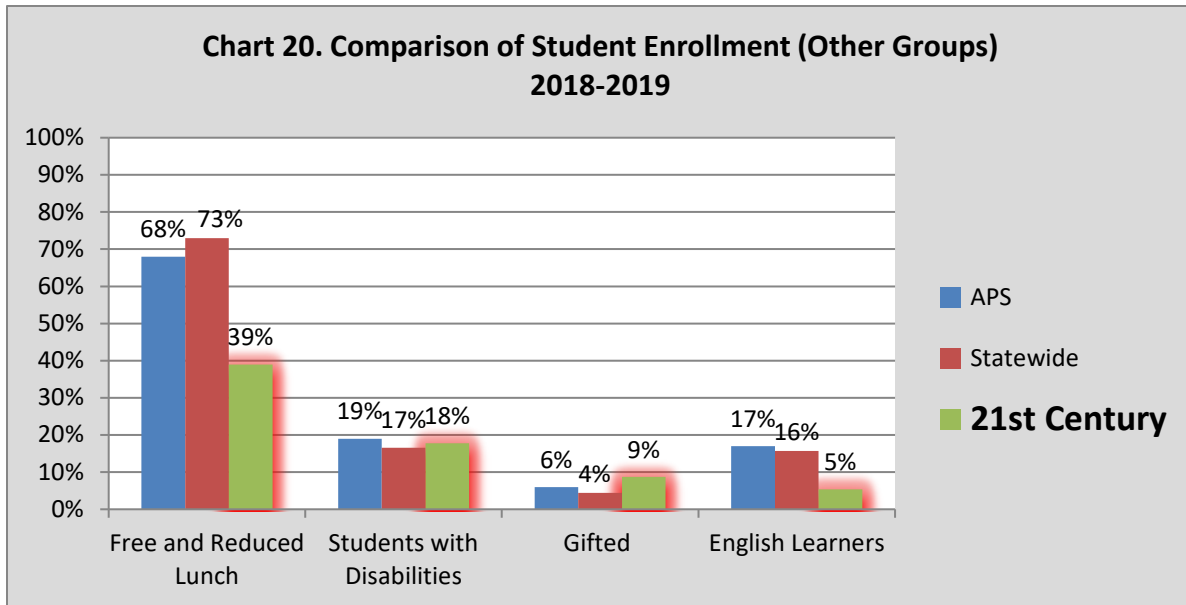


**Enrollment by Race/Ethnicity**



Source: STARS → District and Location Reports → General Reports → Enrollment Subgroup Percentages with Averages

**Enrollment by Other Subgroups**

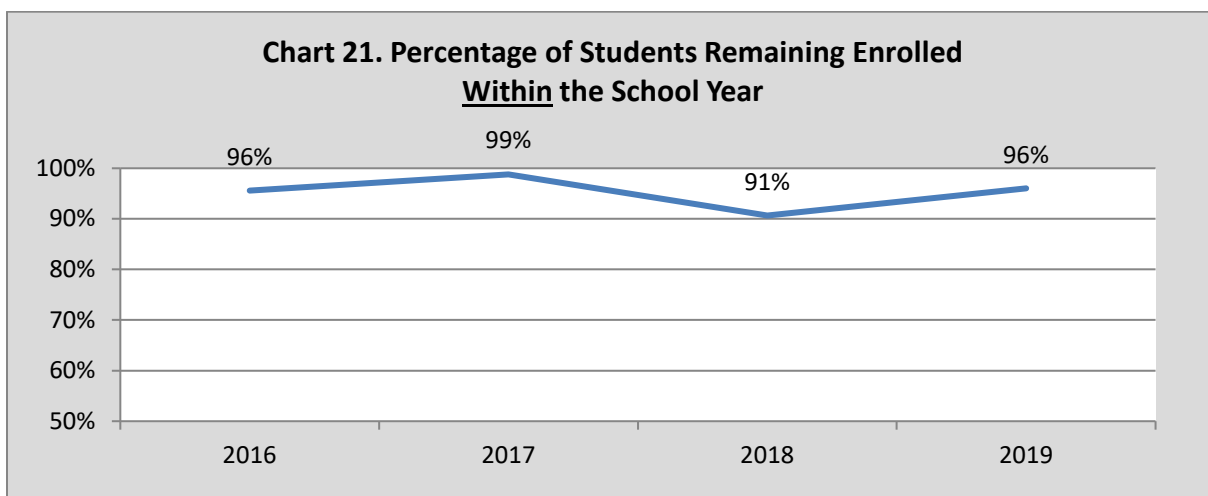


Source: STARS → District and Location Reports → General Reports → Enrollment Subgroup Percentages with Averages

**Retention and Recurring Enrollment**

In its Performance Framework, the PEC established student retention expectations. For this school, the PEC established a target of 85% recurrent enrollment between years.

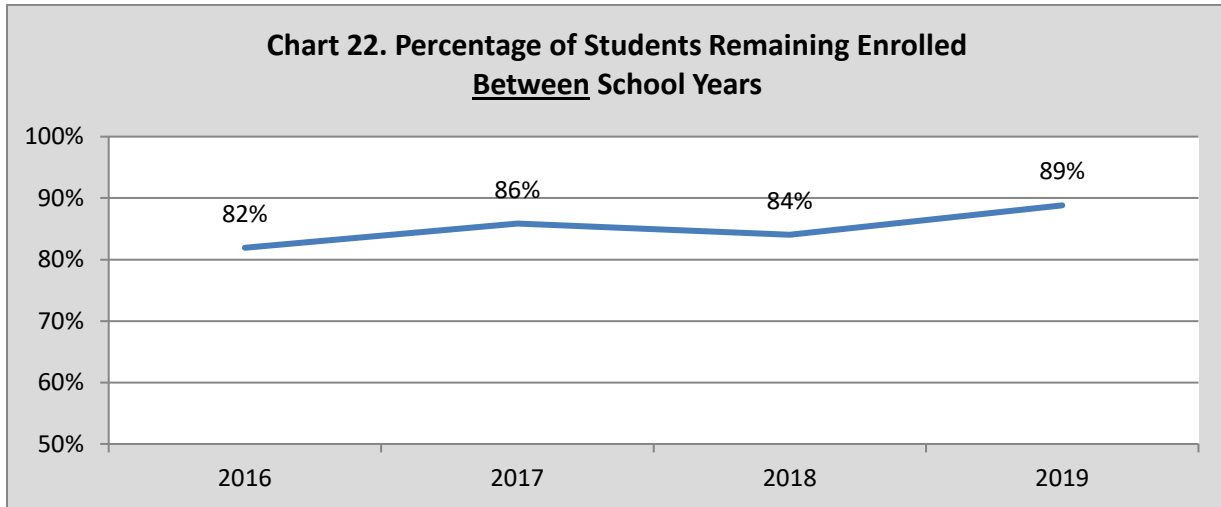
Below, in Chart 21, the PED has calculated within-year retention rates to evaluate the percentage of students who remain enrolled in the school from the time they enroll until the end of the school year. This data is calculated by identifying all students who enroll in the school at any time during the year and then evaluating if the students remain enrolled until the end of the school year. Students whose withdrawal codes indicate circumstances beyond the student’s control are removed from the data set.



Source: STARS → District and Location Reports → Options for Parents → Charter School Enrollment Report



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

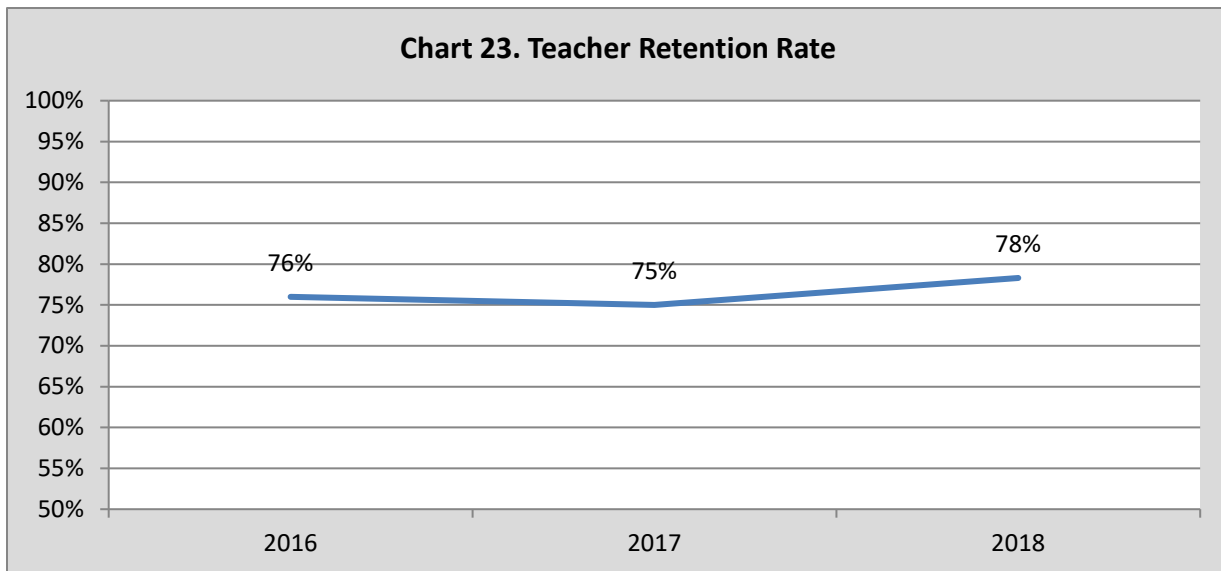


Source: STARS → District and Location Reports → Options for Parents → Charter School Enrollment Report

#### 1d. Teacher Retention Rate

Chart 23 demonstrates the school’s retention of teachers over time. This data is calculated by comparing the license numbers for teachers from one year to the next. For example, all teacher license numbers reported for the 2015-2016 school year were compared to teacher license numbers the following year for the same reporting period. The percentage of duplicate license numbers were compared in the second year and the retention rate was calculated based on the percentage of teachers who returned the following year.

The PEC established a goal of 80% teacher retention (lower than 20% turnover) as stated in the performance framework #4d.



Source: STARS → State Reports → Staff Reports → Turnover Rates for Assignment Category (Teachers)

## SECTION 2. FINANCIAL COMPLIANCE

### 2a. Audit

Figure 3. Fiscal compliance over term of contract.

Audit Year	# of Findings	# of Repeat Findings	# of Material Weaknesses and Significant Deficiencies
FY18	30	1	14
FY17	2	1	0
FY16	3	2	0

### Summary of Most Recent Fiscal Report

In FY18, the school received the following audit findings:

**2018-001: Purchasing, (Material Weakness) CLEARED**

**Condition:** The School consistently prepared both purchase requests and purchase orders after the invoice was received or after the services were performed. Our testwork identified eight purchase orders with a total dollar value of \$103,966 that were dated after the invoice dates. We noted no other documentation (such as a contract) to show terms and conditions or rates agreed to by the School and the vendor prior to the purchase date. We noted purchasing invoices received from several vendors did not have date of service performed. In addition, we noted an invoice in the amount of \$9,345 was paid by the school for one of the School’s foundations.

**Management’s Response:** 21st Century has implemented a formalized process for all purchases. This includes Request to Purchase forms, quotes required, formalized approvals and review prior to purchases being made. Training will also be provided to all staff to ensure compliance annually. Contracts from vendors will be acquired prior to the onset of purchases and reconciled to invoices received for work performed. Vendors will be notified that purchase orders are required for all purchases as well as service dates for work performed.

**2018-002: Lack of Records, (Findings that do not rise to the Level of Significant Deficiency) CLEARED**

**Condition:** Supporting documentation related to certain construction purchases could not be located at the School.

**Management’s Response:** 21st Century recently moved to a new location and changed Chief Operations Officers mid-year. 21st Century is committed to maintaining appropriate documentation that relates to construction and purchases for our school. Now that we are in a permanent facility and fully staffed we do not see this as an issue going forward. 21st Century will also review the

retention schedule.

**2018-003 - Procurement Code (Findings that do not rise to the Level of Significant Deficiency) **CLEARED****

**Condition:** The School did not follow procurement policies during the year. The School had 8 purchases in the amounts of \$53,750, \$45,498, \$41,176, \$43,350, \$29,760, \$23,325, \$21,714 and \$21,231 where quotes were not obtained. In addition, the school had construction costs with one vendor paid in the amounts of approximately \$2,137,834 where the school did not follow the procurement process. No request for proposal was issued for services.

**Management's Response:** 21<sup>st</sup> Century is updating its current process and procedures and has implemented a formalized process for all purchases. This includes Request to Purchase forms, quotes required, formalized approvals and review prior to purchases being made. Training will also be provided to all staff to ensure compliance annually. At the on-set of purchases and at the beginning of each school year, 21<sup>st</sup> Century is committed to ensure that any work performed will follow all procurement policy to maintain compliance with NMSA 1978. This will also include annual training and review with the Governance Council Members. The Fuentes Law Firm provided back up for the 2M which was uploaded to the portal. The legislative fund's back up documents for the remaining amounts have also been uploaded and provided to auditors.

**2018-004 - Small Purchases (Findings that do not rise to the Level of Significant Deficiency) **CLEARED****

**Condition:** The School did not follow procurement policies during the year. The School had 4 purchases in the amounts of \$4,440, \$4,515, \$3,616, and \$1,698 related to construction. There was no documentation kept at the School to show amounts procured were at the best obtainable price.

**Management's Response:** 21<sup>st</sup> Century recently moved to a new location and changed Chief Operations Officer's mid-year, however the expenditures listed above were related to State Legislative Appropriations and appropriate approvals prior to purchases were acquired from PED. This included initial requests and quotes. 21<sup>st</sup> Century is updating current processes and procedures and has implemented a formalized process for all purchases. This includes Request to Purchase forms, quotes required, formalized approvals and review prior to purchases being made. Training will also be provided to all staff and Governance Council Members to ensure compliance annually. Prior to all purchases being made an assessment will be conducted to ensure compliance with Small Purchases to include those that relate to construction. All procurement processes will be followed.

**2018-005 - Internal Control over Financial Reporting (Material Weakness) **REPEATED AND MODIFIED AS 2019-001****

**Condition:** During our audit, we noted the following issues:

1. Fund balance did not properly roll. Accrual adjustments provided to rollforward fund balance were not correct. In addition, the School had not posted prior year adjusting entries.
2. Capital asset journal entries provided did not agree to the capital asset rollforward.
3. Accrual entries provided by the school were incorrect and had to be adjusted.
  - a. The school provided an accrual adjustment for a deposit of \$14,182. The deposit was returned to the school on July 25, 2017. An adjustment was provided to correct this.

- b. The support provided for the accrued liabilities did not agree to the client adjustment provided by \$45,134.
  - c. School did not accrue for \$3,862 of receivables in fund 25153.
4. We noted an expense paid during fiscal year 2018 that should have been accrued in fiscal year 2017 in the amount of \$100,938.
  5. The school paid \$4,100 out of the food services fund for student transportation.
  6. The school incorrectly booked \$351,859 of capital outlay and other fees to rent expense. An adjustment was provided to correct \$35,702.
  7. School did not record the bond money as revenue and expense on their books in the amount of \$1,516,073.

A vendor confirmed an amount outstanding of \$100,000 that was not recorded as outstanding on the school records.

**Management's Response:** 21st Century has established a formal process for additional support, guidance and training utilizing our Business Manager of record, The Vigil Group. On-going training will be provided to the Chief Operating Officer (COO) to help ensure compliance for all items related to Financial Statements in accordance with GAAP. Internal controls, processes and procedures are being updated with oversight from the Business Manager. All Requests for Reimbursement will be completed by The Vigil Group with support and assistance of the COO.

**2018-006 - Vendor Controls and Required IRS Forms (Findings that do not rise to the Level of Significant Deficiency) CLEARED**

**Condition:** The School could not provide a 1099 for a vendor utilized during the year who received payments in excess of \$600.

**Management's Response:** The Vigil Group provided support for filing all 1099's with the IRS for our School. A 1099 confirmation was provided to the Auditors and a back-up copy will be maintained at the school. This internal process will be notated in our process and procedures manual. Report submitted to Auditors for 1099 stored in APTA Financial System 10.10.18. A reconciliation of 1099 for Vendors will be completed to ensure compliance. The Chief Operations Officer has also registered for the 1099 Webinar provided by APTA on November 13<sup>th</sup> to ensure compliance. All documents stored at the School will be listed in the process and procedures manual and a copy provided to our Business Manager for reference.

**2018-007 - Chief Procurement Officer (Findings that do not rise to the Level of Significant Deficiency) REPEATED AND MODIFIED AS 2019-002**

**Condition:** The School did not have a Chief Procurement Officer in place from January 1, 2018 through June 30, 2018.

**Management's Response:** 21<sup>st</sup> Century Chief Operations Officer has completed the Chief Procurement Class for CPO Certification as of October 19, 2018. This class is only offered a few times a year and the timing of filling the COO position and acquiring the CPO Certification should be a non-issue after October. Support was provided on the interim from our contract Level 2 Business Specialist and contract CPO Officer.

**2018-008 - Retiree Health Care timely payments (Findings that do not rise to the Level of Significant Deficiency) REPEATED AND MODIFIED AS 2019-003**

**Condition:** For July 2017, January 2018 and June 2018, the monthly Retiree Health Care (RHC) contribution was made after the 10<sup>th</sup> of the subsequent month.

**Management's Response:** 21st Century will ensure that payments are made timely and if additional support is needed, The Vigil Group will be utilized when necessary.

**2018-009 - Contingent Fee contract (Findings that do not rise to the Level of Significant Deficiency) CLEARED**

**Condition:** The School entered into a contingent fee contract with a Broker for period beginning February 15, 2016 and terminating on September 15, 2016 for a 3% commission fees should the School buy or lease a property. The School entered into amendment 1 dated July 24, 2017. The agreement was signed by the board president. There was no mention in the meeting minutes approving this amendment and allowing the board president to sign the agreement on the boards behalf. There was no documentation kept by the school to show why the school entered into an amendment after the original agreement with the Broker expired. The attorney provided advice to the school on November 27, 2017 for the governing council to discuss and had two suggestions 1) pay nothing since the broker was negligent in allowing the Broker agreement to expire or 2) make an offer of payment of some sum of money condition upon complete release. During the December 7, 2017 governing council meeting the council determined that amendment one was not legally valid due to the lack of new consideration not be noted. There was no discussion of not paying the amounts or offering a reduced amount. The relator agreed to modify his agreement and put forth and amendment to change to 2%, or \$100,000 plus GRT, with \$50,000 to be paid by the seller and \$50,000 to be paid by the buyer. The school's portion was paid in December 2017. The broker confirmed an amount of \$100,000 remaining at June 30, 2018. The school is disputing that amount. It was also noted that the broker involved is the husband of the current President of Cutler Charitable Foundation (a 21st Century Foundation and Component Unit). The President of the Cutler Charitable Foundation also works for the same reality company.

**Management's Response:** 21st Century did review and seek legal consultation from Fuentes Law Firm as it relates to the contract in question and final remedy of the Schools portion of payment was made in December and a release of claim was provided by the Client for the fees described. Going forward the school will help document and seek PED approval prior to entering into any contracts that may be considered unallowable to determine the most appropriate method for agreement and payment henceforth.

**2018-010 - Construction (Material Weakness) CLEARED**

**Condition:** The School paid for construction during the year in the amount of approx. \$2,138,000. The School paid for construction costs to the lease holder of the property. The lease to purchase agreement noted an amount of zero construction costs and noted that the monthly lease payment is based on the "As is Cost of the Premises". A construction agreement was provided between the lease holder of the property and the contractor. The School did not sign the agreement. The invoices provided to the School did not have enough detail to show progress of the construction or any certification showing the data that was submitted was accurate, complete and current. Support

could not be provided by the contractor to show how overhead rates were calculated. The School was billed for overhead items in general requirements and a separate over-head rate.

In addition, we noted that the owner of the Company paid was also listed as an original director of one of the Cutler Charitable Foundation (a 21<sup>st</sup> Century Charter Foundation and Component Unit). **Management's Response:** 21st Century will work on ensuring that we follow all PED and Procurement guidelines that relate to construction as we move forward. We will also seek legal counsel when needed to help ensure all policies are being followed. All construction contracts will contain terms and conditions to include pricing data with contractor certification of work complete.

**2018-011 - Construction Change-Order (Material Weakness) CLEARED**

**Condition:** The original estimate for the construction of Phase I of the school building was \$1,411,691. The School paid approximately \$2,137,834. The school paid an additional \$726,142 over the original proposed amount. There was no documentation at the school documenting or approving the change order, or documentation of what the cost overrun was for. In addition, there is no documentation or provision stating that the profit or fee shall be adjusted to exclude any significant sums because of inaccurate or incomplete pricing data.

**Management's Response:** 21st Century has already begun organizing and archiving all files appropriately. In the transition phase between Chief Operations Officers and the schools move to a new permanent location a complete re-organization of files occurred over the summer. All documents were archived by Fiscal year and a review of missing documents were attempted to be collected and archived as the Audit occurred on-site. This was a way for the school to help determine what documents needed to be stored and how and from which corresponding vendors or Foundations.

**2018-012 - Lack of NM PED Approval Prior to Approving Lease Purchase Agreement (Findings that do not rise to the Level of Significant Deficiency) CLEARED**

**Condition:** The School did not receive approval from the New Mexico Public Education Department (PED) prior to the approval of the Lease Purchase Agreement. Two original lease purchase agreements were provided. The first dated May 10, 2017 and the second dated August 9, 2017. The August 9, 2017 Agreement was approved by the PED on September 18, 2017. An Amendment was completed and approved by PED on June 4, 2018. We noted that the May 10, 2017 lease purchase agreement had amounts that were blank in the agreement and there is no documentation to show the May 10, 2017 lease purchase agreement was cancelled.

**Management's Response:** 21st Century worked with the PED attorney and 21st Century attorneys. 21st Century has followed all of the appropriate processes for the Lease Purchase and the Lease Amendment following the guidance of the PED. The prep work that was involved to process both and with the direct guidance provided by PED allowed the Lease Purchase took to be approved in less than a month time frame. 21st Century received approval from PED on August 9, 2017, however all documentation was provided to PED as requested through-out this process.

**2018-013 - Bylaws (Findings that do not rise to the Level of Significant Deficiency) CLEARED**

**Condition:** The Governing Council President signed a lease purchase agreement on May 24, 2017 on behalf of the School. We noted no approval in minutes showing approval to sign on behalf of the school. Governing Council President signed a broker amendment on behalf of the school. We noted no approval in minutes showing approval to sign on behalf of the school.

**Management's Response:** 21st Century Governance Council gave authority to the Governance Council President to sign on behalf of the School for the contract that is being described. This was also acknowledged throughout multiple meetings with Governance Council members present as well as with Legal Counsel and Guidance from PED, Chief Operations officer at that time along with the Business Manager guidance. 21st Century will ensure the appropriate back up can help substantiate the decision making process showing the authority for transactions, documents and agreements as these occur throughout the year.

**2018-014 - Lack of Due Diligence (Findings that do not rise to the Level of Significant Deficiency) CLEARED**

**Condition:** The School entered into a Lease Purchase Agreement for \$5,500,000 without an appraisal and did not have any documentation showing the basis for the price. An appraisal was conducted by a bank on February 1, 2018 determining the market value to be \$5,030,000 after the School paid approximately \$2,137,834 for construction on the property.

**Management's Response:** 21st Century started their due diligence back in 2015 to look for property, land and an adequate building with the utilizing of comps from multiple locations. 21st Century also began working with APS to determine if APS had a facility the size in which the school was looking for to help expand, grow and meet the health and safety needs of the School. The Facilities Manager helped track site visits to schools, along with comps and pre communications that occurred. Although an appraisal was not done at the time, an appraisal will be used going forward for all work that relates for Construction, purchases and acquisitions prior to buying any other buildings or land.

**2018-015 - Fixed Assets (Material Weakness) REPEATED AND MODIFIED AS 2019-004**

**Condition:** The School continued to carry building improvements related to the previous leased building. There was a remaining book value of \$2,204. In addition, the School did not track or depreciate leasehold improvements for the construction of the current school building. The total amount of the assets has not been reconciled by the school.

**Management's Response:** 21<sup>st</sup> Century was in the middle of a move and between fiscal years as well as a change in Chief Operations personnel with no permanent location over the summer. During that move Administration was in transition. Construction costs have been reported through present day for Phase I Lease Purchase and Phase II for the Lease Amendment and will continue to be monitored and tracked as we move forward to ensure proper capitalization and depreciation of all assets. Once Phase II is complete, ALL assets will be reconciled, tracked and recorded and provided to the Business Manager of record for appropriate Financial reporting.



**2018-016 - Vendor Overpayment (Material Weakness) CLEARED**

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

- School was overbilled and overpaid a vendor by \$52,401. The vendor charged the school gross receipts tax twice.
- Per the invoice dated August 4, 2017, remaining balance on roof was \$40,000. School received and invoice dated October 10, 2017 for \$50,000. The documentation at the school is unclear on whether the School had an overpayment of \$10,000

**Management's Response:** 21st Century was in the middle of a summer move as construction was occurring and in constant negotiations to establish and acquire funding from APS for 1.5 million to help with the construction of the school. This was an oversight and will be closely monitored as we move forward and reviewed and approved by the Superintendent and the Chief Operations Officer as expenditures are reconciled. As concerns arise, this will be addressed by Vendor to ensure no overbilling is done. All vendors will be required to provide an on-going project update with detailed costs analysis and summary report to the School as well as the Foundations that are involved that relate to the Construction to capture all costs appropriately and prevent overbilling from occurring. At this time a Memo will be going out to this Vendor to collect back the overbilling that is due back to the School and APS.

**2018-017 - Journal Entries (Material Weakness) CLEARED**

**Condition:** During our testing of journal entries we noted there is no approval of journal entries. It was also noted that journal entries in the amounts of \$87,755 and \$26,688 did not contain adequate supporting documentation for the journal entry posted.

**Management's Response:** 21st Century has already began changing its Journal Entry procedures and they are currently reviewed with our Business Manager. This policy and Internal Controls will be updated with review for future Journal Entries. Dual approvals are now required for all JE's and additional training will be provided to the COO to prevent this from future audit findings and ensure compliance is being followed.

**2018-018 - Prepayment of Invoices (Material Weakness) CLEARED**

**Condition:** A check was written by the school in the amount of \$250,000 that showed prepayment for construction work. Back-up provided by the school did not reconcile to the \$250,000 paid. Of the support provided only \$38,270 appears to be for services prior to the check date. The School provided invoices of \$327,374 to support this invoice.

**Management's Response:** 21st Century will monitor all construction costs and will not pre-pay for services. Policies will be followed to ensure no overpayments and pre-payments are made. We will follow our procurement guidelines. Although this partially resulted in the School's inability to acquire funds sooner from APS as it relates to the 1.5 million on Mill Levy Funds, the School will do its due diligence going forward.



**2018-019 - Improper Disposal of Capital Assets (Findings that do not rise to the Level of Significant Deficiency) CLEARED**

**Condition:** During our testwork over capital assets, we noted the School failed to notify the Office of the State Auditor (OSA) at least 30 days prior to the disposition of property for all items disposed in fiscal year 2018.

**Management's Response:** 21st Century will follow all OSA requirements going forward. This was an oversight by the school and Administration as a result of the move. The current COO will work closely with the Superintendent and the Facilities Manager on all Inventory, assets and disposition thereof to help prevent future and repeat findings.

**2018-020 - Request for Reimbursement (Material Weakness) CLEARED**

**Condition:** The School does not have a process for submitting Requests for Reimbursements (RFRs) timely. The school could not recover approximately \$75,011 due to RFR's submitted after the due date. The operating fund was required to absorb those expenditures. Those adjustments had not been corrected in the general ledger accounting system. In addition, the school does not have a review of RFRs.

**Management's Response:** 21st Century had planned to submit all RFR's the week that they were due, however due to a family emergency this was not completed as originally anticipated. A complete explanation of events was provided. An emergency contingency for support is now in place to prevent this from happening in the future and RFR's will be done either Monthly or Quarterly to ensure no large amounts are carried through the end of the year. Additional training will also be provided to the current Chief Operations Officer by the Business Manager.

**2018-021 - Budgetary Conditions (previously reported as 2017-003) (Findings that do not rise to the Level of Significant Deficiency) REPEATED AND MODIFIED AS 2019-005**

**Condition:** During our audit, we noted the school had an expenditure function where actual expenditures exceeded budgetary authority:

- Fund 11000 (Function 1000) -\$95,597
- Fund 21000 (Function 3000) -\$7,004
- Fund 31600 (Function 2000) - \$17 Fund 31701 (Function 2000) -\$8

**Management's Response:** 21st Century will work towards monitoring the budgets quarterly and as needed to ensure compliance and make necessary adjustments for BAR's quarterly.

**2018-022 - 4th Quarter NMPED Reports (Findings that do not rise to the Level of Significant Deficiency) CLEARED**

**Condition:** We noted the 4<sup>th</sup> quarter budget to actual report submitted to the New Mexico Public Education Department (NMPED) did not agree to the general ledger.

**Management's Response:** 21<sup>st</sup> Century had to comply with PED quarterly deadlines, however additional adjustments needed to be made after the Quarterly report was provided and once all final adjustments are done, an updated Quarterly report will be provided to PED/APS to ensure compliance. Better communication will occur between the School and PED/APS.

**2018-023 - Outdated Policies (Findings that do not rise to the Level of Significant Deficiency) CLEARED**

**Condition:** The School does not have an updated policies and procedures manual. The policies provided were dated 2012. Policies should be reviewed and updated each year.

**Management's Response:** 21st Century has already started re-writing and updating policies and procedures and internal controls. Once approved, written process will be updated and then presented to the Governance Council for approval, review. These procedures will be reviewed annually and updated as needed. This will be presented to Governance Council by December 2018.

**2018-024 - T&E Adjustment (Findings that do not rise to the Level of Significant Deficiency) CLEARED**

**Condition:** The School received a reduction of \$117,740 in State Equalization Guarantee money after a Training and Experience (T&E) audit performed by the NM PED and not complying with state compliance requirements.

**Management's Response:** The T&E has already been audited, corrected and adjusted. SEG was already reduced to reflect the appropriate T&E for ALL staff. This was reviewed with the Superintendent and appropriate staff that were affected to ensure compliance for future years. As a result of the recent move documents were misplaced, however all records have been reviewed and updated and secure.

**2018-025 - Internal Control over Cash Receipts (Material Weakness) CLEARED**

**Condition:** The School does not have a process for cash receipts. There is no cash receipt book or log kept for the money receipts. There is no documentation to show how much cash the school receipts to compare to the amount deposited to the bank and verify that it was properly deposited within 24 hours.

**Management's Response:** 21st Century has already made corrections to this process. A new signature form has been developed to ensure compliance. This was designed by the Admin Staff and approved by the Chief Operations officer.

**2018-026 - RHC and ERB Payments (Findings that do not rise to the Level of Significant Deficiency) REPEATED AND MODIFIED AS 2019-006**

**Condition:** Education Retirement Board (ERB) payments for the year did not agree to the general ledger by \$347. Retire Health Care (RHC) payments for the year did not agree to the general ledger by \$115.

**Management's Response:** 21st Century has designed a monthly checklist to ensure compliance. Included will be a reconciliation of all payroll liabilities to ensure compliance with applicable state law and regulations.

**2018-027 - Payroll Transactions (Significant Deficiency) REPEATED AND MODIFIED AS 2019-007**

**Condition:** The following was noted:

- The school overpaid an employee \$263 for the year. There was no documentation at the School to show why the employee was paid more than the contract.

- The Principal contract was for Principal services only however the Principal was paid .70 FTE principal and .3FTE teacher. The contract did not properly reflect this.

**Management's Response:** The school will implement internal controls over payroll that will reconcile and verify all amounts paid to employees. This will include controls available within the payroll system.

#### **CUTLER CHARITABLE FOUNDATION, 21<sup>st</sup> Century Component Unit**

##### **2018-028 - Financial Close and Reporting (Material Weakness) REPEATED AND MODIFIED AS 2019-010**

**Condition:** The Foundation was not maintaining a trial balance or a general ledger with the accounting activity. As of October 2018 the foundation has created only a June 30, 2018 trial balance and has maintained no accounting ledger subsequent to year-end.

**Management's Response:** The foundation has enlisted the assistance of a financial company for direction on the correct bookkeeping process. This company will train the executive board and regularly review the financial books of the foundation.

##### **2018-029 - Lack of Internal Controls over Capital Assets (Material Weakness) REPEATED AND MODIFIED AS 2019-011**

**Condition:** During our testwork over capital assets the following was noted.

- The Foundation did not accurately record the value of property purchased under a lease purchase agreement. The value of the land, \$1,800,000, was included in the valuation of the whole property (\$5,030,000). The Foundation recorded the value of the land but did not remove it from the value of the building, effectively double counting the land.
- The lease purchase price was \$5,748,707. A third party valuation of the property acquired under the lease purchase agreement was performed subsequent to the date of the agreement, concluding a value of \$5,030,000. The difference between the purchase price and the valuation indicates a loss on impairment of \$718,707. No impairment loss was recorded by the Foundation.

**Management's Response:** The foundation has enlisted the assistance of a financial company for direction on the correct bookkeeping process. This company will train the executive board and regularly review the financial books of the foundation.

##### **2018-030 - Lack of Internal Controls over Long-Term Debt (Material Weakness) REPEATED AND MODIFIED AS 2019-012**

**Condition:** During our testwork over long-term debt the following was noted:

- Total long-term debt outstanding as recorded exceeds the amount outstanding per the documentation provided by \$26,293.
- Sufficient evidence was not provided to conclude on the total amount outstanding on the MELD, LLC note. The school may have an additional unrecorded liability of \$485,510 with the vendor.
- No amounts were recorded as current.

**Management's Response:** The foundation has enlisted the assistance of a financial company for direction on the correct bookkeeping process. This company will train the executive board and regularly review the financial books of the foundation.

2b. Board of Finance

As a locally authorized charter school, the governing board does not serve as the Board of Finance.

## SECTION 3. CONTRACTUAL, ORGANIZATIONAL, AND GOVERNANCE RESPONSIBILITIES

3a. Educational Program of the School

Each grade level is to arrange for no less than 18 OSI's to be supported with documentation that verifies instructional purpose. Content classrooms will be held to 20 students per classroom. Through their lesson plans, teachers will demonstrate the use of data generated by the short cycle assessment to set achievement goals for the school, grade level, class and individual student. Testing data from each short cycle assessment will be provided and used as a guide for student improvement and to drive instruction.

### 3b. Organizational Performance Framework

21st Century	2016-2017	2017-2018	2018-2019
<b>Category I. Academic Performance Framework</b>			
Meet Mission Specific Indicators	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
Meet acceptable standards according to NM's A-F grading system	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
<b>Category II. Financial Performance Framework</b>			
Enrollment	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
Liquidity	Meets (or Exceeds) Standard	Working to Meet Standard	Falls Far Below (or Does Not Meet) Standard
Total Audit Findings	Working to Meet Standard	Meets (or Exceeds) Standard	Falls Far Below (or Does Not Meet) Standard
Repeat Audit Findings	Falls Far Below (or Does Not Meet) Standard	Working to Meet Standard	Working to Meet Standard
Classification of Audit Finding	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Falls Far Below (or Does Not Meet) Standard
Exceptions from Site Visit	Falls Far Below (or Does Not Meet) Standard	Falls Far Below (or Does Not Meet) Standard	Working to Meet Standard
<b>Category III. Organizational Performance Framework</b>			
<b>Educational Plan</b>			
Material Terms	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
Applicable educational requirements	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
Rights of all students	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
Students with special needs	Working to Meet Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
Overdue IEPs	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Working to Meet Standard
Overdue Evaluations	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
Caseload Waivers needed	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
Special Education data issues	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
English Language Learners	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
Attendance Laws	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
<b>Business Management and Oversight</b>			
Financial reporting and compliance requirements	Meets (or Exceeds) Standard	Working to Meet Standard	Falls Far Below (or Does Not Meet) Standard
GAAP	Meets (or Exceeds) Standard	Working to Meet Standard	Falls Far Below (or Does Not Meet) Standard
<b>Governance and Reporting</b>			
Governance Requirements	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
Holding management accountable	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
<b>Employees</b>			
Teacher and staff credentialing	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
Employee Rights	Working to Meet Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
Background checks	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Falls Far Below (or Does Not Meet) Standard
<b>School Environment</b>			
Facilities Requirements	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
Health and Safety Requirements	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard
Handling information appropriately	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard	Meets (or Exceeds) Standard

3c. Governing Body Performance

The school has 8 members serving on their Governing Body.

Figure 7 lists the information provided to the PED regarding the members who are currently serving on the school's Governing Board.

Name	Role	Service Start Date*	Membership Status	FY18 Training Requirements	Hours Missing
Virginia Trujillo	President				
Phil Sapien					
Art Silva	Vice-President				
Kathy Webb	Secretary				
Evelyn Dow					
Elizabeth Palanza					
Victoria Tafoya					
Bianca Belmonte-Sapien					

*Figure 7. Current governing council membership*